# FINANCIAL TIMES

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## NEWS SUMMARY

### GENERAL

## New Labour clash on pay

James Callaghan and Anthony Wedgwood Benn clashed again over pay policy as former Labour Minister Barbara Castle called for Mr. Benn to take over as Labour leader.

Mr. Benn tried to exploit the former Premier's reaffirmation of his belief in pay policy to attack the leader's traditional power base among the unions.

Mr. Callaghan said it was essential for the party to reach an understanding with the unions on incomes. Parliament, Page 12

### Vetting 'lawful'

Vetting of potential jurors before a burglary trial at Northampton Crown Court was not unlawful, the Court of Appeal ruled. The check had revealed two disqualified jurors.

### Weapons warning

Foreign Office Minister Douglas Hurd warned that Britain could expel foreign diplomats who bring in weapons. Back Page

### Strike supressed

Israeli troops broke up a strike on the occupied West Bank called in protest at the assassination attempts on three Palestinian mayors. Back and Page 4

### Rebel government

Rebels on the New Hebrides island of Espiritu Santo claimed they had set up a government with plantation owner Jimmy Stevens as chief minister. Page 4

### Bullion raid

Armed raiders seized gold bullion worth £80,000 from a shop in Hatton Garden, London.

### Sabotage talks

South African Cabinet considered its response to sabotage attacks on two Sasol synthetic fuel plants and an oil refinery amid recriminations over lack of security. Page 3; Editorial Comment, Page 18

### Mini passports

Machine-readable passports, the size of credit cards, may soon be used to speed airport passenger flow, says the International Civil Aviation Organisation. Page 8

### Washington blast

Explosion badly damaged the Washington home of Yugoslavia's Charge d'Affaires Vladimir Sindjelio. He and his family escaped unhurt.

### Moslems killed

Syrian security forces shot dead three Moslem extremists including a man said to have masterminded a massacre of army cadets last year.

### NHS watchdog

Government is planning an agency to monitor the National Health Service, Social Services Secretary Patrick announced. Page 8

### Dead loss

Too many Chinese are wasting mone yon expensive funerals, the country's Communist Party newspaper said.

### Briefly . . .

Requiem mass for Sir Alfred Hitchcock was held in Westminster Cathedral.

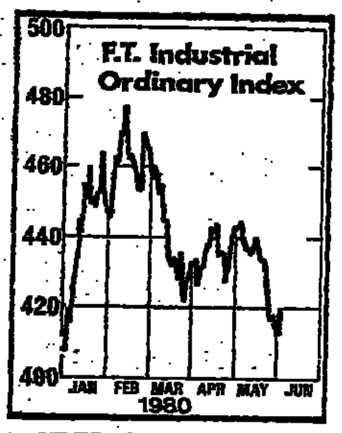
Queen will watch today's Derby, but her horse Dukedom has been withdrawn. Today's racing, P.16.

Dr. John Mavor of Edinburgh University will be Britain's first professor of microelectronics.

### BUSINESS

## Equities gain 7.3 to 420; golds off

● EQUITIES rallied on hopes of a change in the strick monetary policy. The FT 30-share index rose 7.3 to 420.0, biggest daily rise for three months. The Gold Mines index lost 18.2 to 321.0. Page 32




● GILTS also recovered, with longs gaining up to ¾ and shorts up to ¼. The Government Securities index rose 0.36 to 67.47. Page 32

● STERLING fell sharply in late trading, closing 3.35 cents lower at \$2.3040. Its trade-weighted index fell to 72.9 (74.2). DOLLAR was steady, its index remaining unchanged at 84.2. Page 29.

● GOLD fell 5.50 an ounce in London to \$553. Page 29

● WALL STREET was 0.34 lower at 847.01 before the close. Page 30

● BRAZIL'S current account deficit last year almost doubled to \$10.47bn (£4.54bn), leaving a \$3.2bn balance of payments deficit. Back Page

● CANADA'S visible trade moved into a C\$7m (£2.6m) deficit in April, the first deficit since August 1977, following a drop in car part exports to the U.S. Page 5

● RACAL, the defence electronics group which took over Decca, has set up a new group called Racal-Decca to deal with capital goods businesses. Back Page

● GOVERNMENT has no intention of introducing a "windfall tax" on bank profits this year, the Commons was told. Page 12

● BRITISH NATIONAL Oil Corporation exploration director Dick Fowle is to join London and Scottish Marine Oil—the second top executive to quit the corporation recently. Back Page

● NORWAY is to waive a safety rule at the Anglo-Norwegian Statfjord oil and gas field which could raise 1981 oil production to 9.5m tonnes, against a 5m tonnes estimate. Page 2

● UNION leaders of 50,000 hospital clerks and administrators are threatening to join nurses and other staff in resisting a 14 per cent pay rise. Page 11

● BUILDING workers voted for a 50 per cent wage claim for skilled and unskilled grades and a 35-hour week at their delegate conference. Page 11

### COMPANIES

● REED INTERNATIONAL, paper and publishing group, raised final quarter taxable profits by £4.8m, taking its yearly surplus to £99.9m (£83.4m). Page 20; Lex, Back Page

● DE LA RUE Company, security printer and electronic equipment supplier, raised last year's profits to a record £36.54m, against £26.6m in 1978. Page 21; Lex, Back Page

● HARRISONS AND CROSFIELD, whose interests include plantations and chemicals, increased 1979 taxable profits by £6m to £58.38m on a turnover of £639m (£546m). Page 20; Lex, Back Page

## CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

| RISES | | |
|---|---|---|
| Excheq. 13¼pc '83 | £97⅞ | + ¼ |
| Treas. 14pc 1998 | £100¼ | + ½ |
| Beecham | 119 | + 5 |
| Crouch (D.) | 135 | + 17 |
| Davenports' Brewy. | 116 | + 5 |
| De La Rue | 645 | + 25 |
| Dundonian | 81 | + 6 |
| European Ferries | 144 | + 7 |
| Farnell Elec. | 280 | + 14 |
| Glaxo | 194 | + 8 |
| Grand Met. | 135 | + 5 |
| ICI | 360 | + 10 |
| Lee Cooper | 203 | + 10 |
| Marshall's Universal | 72 | + 6 |
| Matthews (B.) | 190 | + 15 |
| Milford Docks | 135 | + 15 |
| Pleasurama | 150 | + 7 |
| Reed Intl. | 178 | + 13 |
| Sainsbury (J.) | 358 | + 10 |
| Sketchley | 239 | + 6 |
| Transparent Paper | 46 | + 7 |
| Turner and Newall | 95 | + 5 |
| Aran Energy | 420 | + 16 |
| Century | 172 | + 7 |
| Siebens (UK) | 950 | + 40 |
| Oil Co. of Australia | 15½ | + 3 |

| FALLS | | |
|---|---|---|
| Beales (J.) | 22 | − 3 |
| Comet Radiovision | 70 | − 4 |
| Free State Geduld | £22⅞ | − 1⅞ |
| Gold Fields SA | £31⅞ | − 2⅜ |
| Haoma Gold | 70 | − 10 |
| Otter Exploration | 84 | − 6 |
| Pres. Brand | £16⅞ | − 1¼ |
| Samathan. Ex. | 96 | − 6 |
| Stilfontein | 770 | − 80 |
| West Drie. | £36¼ | − 1½ |
| Western Mining | 236 | − 11 |

### Thatcher hint on interest rates hits pound

# Ministers rule out early cut in MLR after sterling falls

BY RICHARD EVANS AND PETER RIDDELL

STERLING FELL by more than 4 cents in less than half-an-hour yesterday after an indication by the Prime Minister that the Government intended to use the reduction in Britain's net contribution to the EEC budget in an attempt to reduce interest rates.

Mrs. Thatcher gave no indication of the timing of a cut in minimum lending rate. Because of a reference to a meeting with Sir Geoffrey Howe, the Chancellor, earlier in the day some MPs believed a reduction might be imminent.

This interpretation was very firmly rejected later by Minisers and Whitehall officials, who were clearly embarrassed by the political and market response to the Prime Minister's remarks.

It was immediately stressed that there had been no change in the present cautious official view about cutting MLR.

The short-term links between the reduction in the EEC budget contribution, the consequent fall in public-sector borrowing, and any fall in interest rates are indirect, though the EEC deal should help over the longer term.

The MLR decision will mainly depend on the strength of bank borrowing and on inflation prospects.

The Prime Minister's remarks had a dramatic impact on sterling, which had been firm earlier in the day.

The rate against the dollar slipped by well over 4 cents to a low of \$2.2880. The decline may have been accentuated by the coincidental appearance of a large seller in the market.

The pound rallied later, without any significant intervention, to close 3½ cents down on the day at \$2.3040. The sterling trade-weighted index, measuring its average value against other currencies, dropped from 74.2 to 72.9.

These movements highlight not only the volatility of sterling, but also its sensitivity to actual and expected levels of UK interest rates relative to returns abroad.

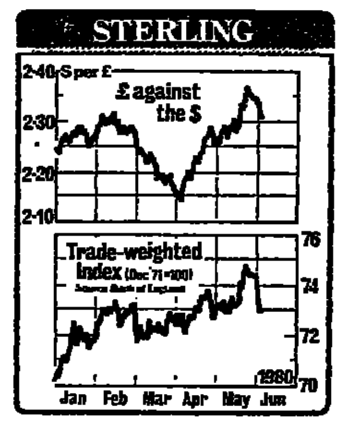
The exchanges in the Commons show how sensitive Mrs. Thatcher and other senior Ministers have become to growing pressures from industrialists and politicians for a relaxation in the severity of the monetary squeeze.

Under questioning from Conservative MPs the Prime Minister described high interest rates as "one of the greatest problems we have at the moment."

She revealed that it was among issues involving the plight of manufacturing industry which she had discussed earlier with the Chancellor.

Mrs. Thatcher confirmed that in her view it was "absolutely vital" that the rebates resulting from the cut in the EEC contribution should go to "reducing the public-sector borrowing re-

Continued on Back Page




Parliament Page 12 ● Editorial comment Page 18

# Deal still worries Bonn

BY JONATHAN CARR IN BONN

THE WEST GERMAN Cabinet is due to decide today whether to accept the EEC's proposed solution of the British budget problem, amid a rising chorus of criticism over the agricultural part of the package.

While Ministers appear likely to approve the extra spending involved for Bonn in the deal, there is bound to be harsh comment—in particular over the farm price aspect—before they do so.

Supporting the firm stand already taken by Herr Hans Matthoefer, the Finance Minister, Herr Willy Brandt, Social Democratic Party chairman, described the Common Agricultural policy as "nonsense, balderdash and folly.

Herr Brandt said he was not satisfied with the announcement that the EEC Commission would eventually be making new reform proposals. He had heard such statements before and nothing had come of them. Now was the time to apply strong pressure for reform.

The West German Consumers' Association warned that the 5 per cent farm price increase agreed in Brussels would cost Germans alone about DM 3bn (£720m) more a year.

The association warned that the Brussels decision meant "higher prices, higher surpluses, higher costs and more protectionism." If the proper conclusions were not drawn, tne EEC would head inevitably to its next, and even more serious, agricultural crisis.

Chancellor Helmut Schmidt has firmly supported Herr Matthoefer's view that Bonn's bill for the Brussels accord must not be financed by more state borrowing. But he also said the German Cabinet would be holding its discussions in the spirit of responsibility towards Europe—a strong hint that Bonn would not finally block an accord already accepted by the other EEC member states.

Also present in the Cabinet will be the leaders of the Government coalition parties in Parliament, and party finance experts. Herr Schmidt's Social Democrats have already said that the Federal States—the *Laender*—must bear part of the cost of the deal as well as the Federal Government.

There are clear signs of anger at the way in which the Brussels negotiations were handled by Herr Klaus von Dohnanyi, Minister of State in the German Foreign Ministry.

# Exchange rate warning by Vickers chief

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

THE DANGERS to the engineering industry of a continuation of high interest rates, the present exchange rate and high inflation were spelled out yesterday by Sir Peter Matthews, chairman of Vickers.

At another major engineering company, Perkins Engines, the combination of these factors plus the economic recession in the U.S. led yesterday to the announcement that a short working week will have to be introduced at Peterborough.

Sir Peter, introducing Vickers' annual report and accounts, gave a warning that if the present economic climate persists, it wil have grav eeffects on the engineering industry. He said that Vickers had done reasonably well in the first quarter of this year, but signs were becoming apparent that order books would not hold up.

"We must become more productive and slim down but there is a limit to how much we can do this."

In his report, Sir Peter says: "Industry is not infinitely elastic. As a business shrinks it reaches a point from which recovery is either not possible or extremely slow. Many companies are forced to devote all their attention to the immediate impact of today's orders, cash flow and profits.

"It is hard to recall a time when planning ahead for even two or three years has been so uncertain."

Perkins said yesterday that it is "battling against fierce competitive pressures resulting from UK inflation, the strength of the pound and high interest rates."

Together with the slump in tractor sales in the U.S., which are an important outlet for Perkins' engines, at least some the company's 6,500 employees will be going onto a short working week.

The big fall-off in the agricultural equipment market in the U.S. led recently to International Harvester cutting back production at its Doncaster plant, which sends smaller tractors to the U.S. The workforce has been put on three- and four-day working weeks.

Last week, Massey Ferguson, the U.S. owners of Perkins, announced that it will be closing its North American plants for three months this summer instead of the usual one-month stoppage.

Perkins is one of the largest diesel engine manufacturers in the world with sales last year totalling £348m. Many of its engines are supplied to Massey plants in the UK and North America. But sales to other manufacturers of agricultural and industrial equipment, and to automotive truck manufacturers, are also being affected by the recession. Perkins said yesterday that although some contraction in demand had been expected this year, the speed and severity of the fall-off of tractor sales in particular had taken the company by surprise.

The diesel engine market is highly competitive worldwide. In recent months, it has been apparent that Perkins has been finding it difficult to maintain competitive prices, particularly in certain European markets.

Little cause for optimism at Perkins, Page 8

# U.S. railway companies agree to \$2bn merger

BY IAN HARGREAVES IN NEW YORK

TWO of the largest railway companies in the U.S. have decided to settle their differences and merge in a deal which would be worth over \$2bn (£855.6m) in stock transfers.

The proposed merger between Norfolk and Western and Southern Railways follows several proposed hook-ups in the system, which seem likely to concentrate control of the nation's sprawling railway network in the hands of five companies by the mid-1980s.

Norfolk and Western, primarily a Mid-West operator, with a northern connection to Montreal in Canada, is seeking to combine with the strength in the south-east of the Washington DC-based Southern. Southern's track connects Norfolk, Virginia with Memphis Tennessee, New Orleans and Palatka, Florida.

The two railways examined the possibility of a merger for seven months last year, but talks broke down amid disagreement over who should head the new company and in effect over who was taking over whom.

This time, a determinedly equitable formula is proposed, whereby each company would supply eight directors to the board and elect a chairman under a voting procedure not so far revealed. Significantly, the heads of both Norfolk and Southern will have retired before the merger takes place. The deal is expected to take three years to clear the Government's vetting procedure.

Last year Norfolk and Western earned \$199m on sales of \$1.45bn. Southern earned \$161m on sales of \$1.47bn.

The terms of the deal involve creating a new company which would acquire the two railways through a share swap. Shareholders of Southern, which has a reputation of high profits and excellent management, would get 1.9 shares for each Southern share. Norfolk shareholders — whose company some consider to have more potential because of its strength in the nation's primary coal producing region — would get one share of the new company for each Norfolk share.

The merger is clearly a response to other mergers in the system. Union Pacific is proposing to head a new company taking in Missouri Pacific and Western Pacific. Santa Fe Industries is seeking to join with Southern Pacific, Burlington Northern with the St. Louis-San Francisco Railway and Chessie System with Seabord Coast Lines.

Before those groups are formed, however, the deals will be subjected to lengthy scrutiny. Although the Inter-state Commerce Commission, its membership liberalised during the Carter administration, has encouraged end to end railway mergers, it will be under great pressure from local and national political and industrial interests to ensure that the new railway companies do not acquire monopoly transport rights.

# Post Office engineers vote for 37% claim

BY NICK GARNETT, LABOUR STAFF

POST OFFICE telecommunications appeared yesterday to be heading for a damaging dispute over a 37 per cent pay claim by its engineers.

The Post Office Engineers' Union agreed at its annual conference in Blackpool to start industrial action on August 4 unless the claim is settled by the end of next month.

Another decision, taken in defiance of the union executive, was to hoist the claim from the original 27 per cent. Settlement is due on July 1.

The two decisions appear to make industrial action almost certain. The union's national officials are virtually resigned to a fight, possibly prolonged.

Management has made an

Continued on Back Page

### £ in New York

| — | June 2 | Previous |
|---|---|---|
| spot | \$2.3320-3338 | \$2.3490-3510 |
| 1 month | 1.53-1.48 dis | 1.33-1.25 di |
| 3 months | 3.76-3.70 dis | 3.77-3.59 dis |
| 12 months | 9.50-9.35 dis | 9.30-9.10 dis |

# £4,000 for ex-civil servant

BY MARTIN DICKSON, ENERGY CORRESPONDENT

THE DEPARTMENT of Energy is to make an ex gratia payment of £4,000 to a former Under-Secretary after incorrectly stating that a man of his rank had been reprimanded over the wrongful operation of an offshore grants scheme.

The money will go to Mr. Alan Blackshaw, who resigned from the Department for personal reasons last August and now works as a consultant for the National Coal Board.

The payment follows evidence given by Sir Jack Rampton, Permanent Under-Secretary at the Department, to the Commons Public Accounts Committee last year.

Sir Jack admitted that the Department had wrongly offered grants worth £44.1m to the North Sea supply industry through the Government's interest relief grants scheme. The scheme was started in 1973 to reduce the cost of credit needed by UK companies supplying the offshore industry.

Sir Jack said that among those reprimanded had been an Under-Secretary, but the department later admitted this was incorrect.

Mr. David Howell, Energy Minister, told the Commons in November that Mr. Blackshaw had already received an apology for distress caused to him and his family.

Mr. Howell also stressed—as the Department had earlier done—that Mr. Blackshaw had resigned from the department for personal reasons wholly unconnected with the administration of the interest relief grant scheme.

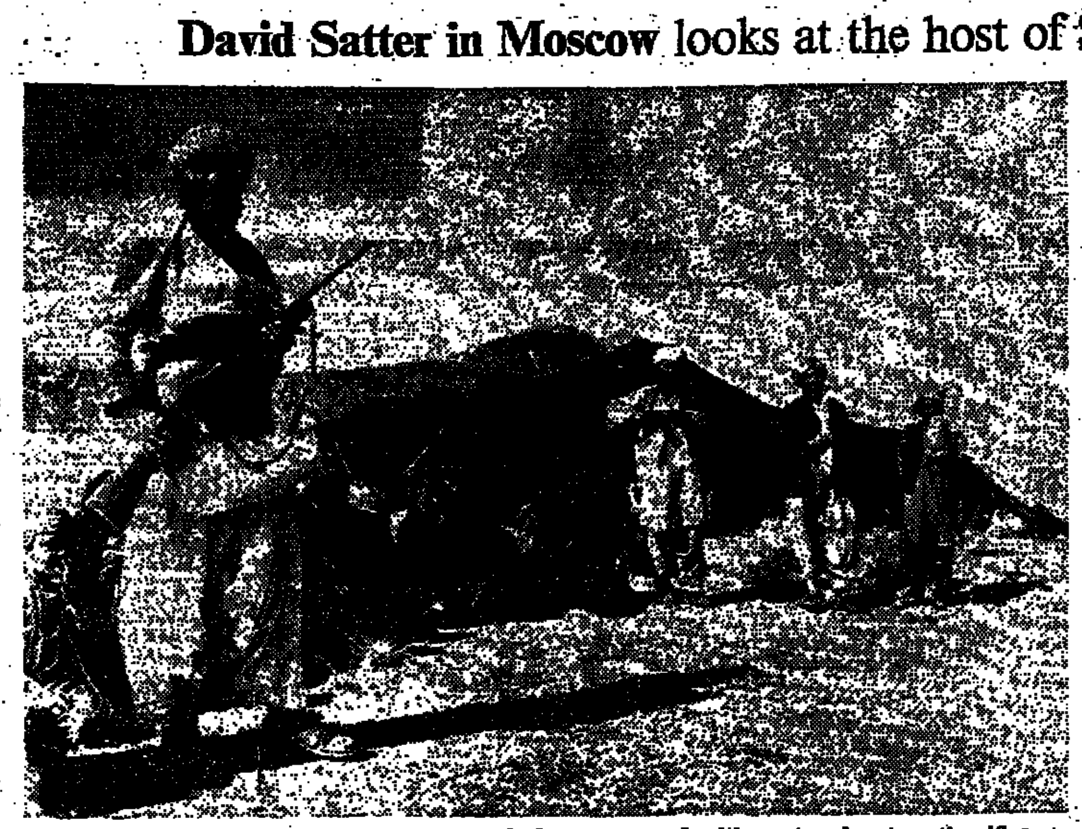
## CONTENTS



For latest Share Index phone 01-246 8026

**David Satter in Moscow** looks at the host of Soviet peace proposals and finds a certain sameness about them

# Russians buy time with peace offers



Afghan tribesmen stand before their black tents armed with captured automatic rifles.

WITH AFGHANISTAN far from pacified, but at least firmly under Soviet control, the conflict has entered a new stage which, borrowing a phrase from 40 years ago, might best be described as the "phoney war."

A bewildering series of proposals, suggestions and "hints" have been put about by the Soviet and Afghan governments to the effect that Soviet troops can be withdrawn when "outside interference" in Afghanistan is brought to an end.

M. Valery Giscard d'Estaing, the French President, met Mr. Leonid Brezhnev, the Soviet President, in Warsaw in an avowed effort to "keep the lines of communication open." Herr Helmut Schmidt, the West German Chancellor, is to go to Moscow later this month where the Kremlin may try to persuade him to sign a new West German-Soviet 25-year economic agreement.

The number of Soviet troops in Afghanistan has levelled off at 80,000, with another 25,000 stationed across the border. Is an agreement on Soviet troop withdrawals at all likely? If precedent is any guide it is far more likely that the West is witnessing a careful campaign whose purpose is to undermine support in Western Europe for economic sanctions against the Soviet Union and prepare the ground for the eventual recognition, particularly in the Muslim world, of the Soviet-backed government of Mr. Babrak Karmal.

Soviet official spokesmen are still repeating Mr. Brezhnev's statement to President Carter that an end to "outside interference" is a precondition for Russian withdrawal. They continually reformulate their position to create the impression that they are offering something new.

By "outside inteference," the Soviet authorities mean the rebellion among Afghans against Soviet occupation. When they speak of an end to "outside interference," they are looking for an end to foreign support for the rebels and the complete collapse of the revolt.

Mr. Brezhnev himself suggested this when he told Mr. Armand Hammer, the president of Occidental Petroleum and a major supporter of U.S.-Soviet trade, that the Soviet Union would not insist on U.S. guarantees of an end to all "outside interference" in return for troop withdrawals because the U.S. might not be able to restrain all the elements in Afghanistan.

In April, the Karmal government offered to open negotiations towards normal relations with Iran and Pakistan based on an end to "outside interference" in Afghanistan's internal affairs. The offer was doubly unrealistic because Iran and Pakistan not only have no interest in helping suppress the Afghan rebellion but they also want no part of the Karmal government, which neither country recognises.

> If precedent is any guide, the West is witnessing a careful campaign to undermine European support for economic sanctions against the Soviet Union and to prepare the ground for the eventual recognition of the Moscow-backed Karmal government.

The most recent reformulation was the Afghan proposal on May 14 which combined the invitation to Iran and Pakistan with the Soviet offer to withdraw troops in return for U.S. guarantees of an end to "outside interference."

Herr Schmidt is now expected to arrive in Moscow on June 30 for the first visit of a Western leader to Moscow since the Afghan invasion but despite the flurry of "peace feelers," he has little prospect of achieving more than M. Giscard d'Estaing in changing the Russian position on Afghanistan but by his very presence he will, like the French President before him, make Soviet peace moves more credible to the rest of the world.

The Soviet leaders are often regarded as heavy-handed but they are frequently shrewd enough to outmanoeuvre their Western counterparts. The Soviet authorities realise that West European businessmen have no desire to make economic sacrifices to deter future Afghanistans and the peace offensive is intended to reinforce this reluctance.

In fact, the peace offensive is not likely to be followed by real peace but rather by a rapid doubling or trebling of Soviet troops. The war is going badly for the Russians in Afghanistan and military observers believe that it may take up to a quarter of a million men to begin to pacify the country. This prospect might be daunting for a democratic country but the Soviet Union is different. Soviet political authority is ideological and based on an understanding of the supposed iron laws of history. The Soviet Union cannot forsake the "Afghan revolution" after having committed their troops and prestige to it without undermining their own authority as well.

# Britain backs Helsinki follow-up

BRITAIN BELIEVES that East and West Europe should meet in Madrid in November to review implementation of the Helsinki Final Act, writes David Tonge.

This was said last night in Paris by Mr. Douglas Hurd, Minister of State at the Foreign Office, in a speech to the parliamentary assembly of the West European Union.

Mr. Hurd said that by invading Afghanistan, the Soviet Union had broken all the principles in the "first basket" of the Helsinki accord. But he hoped that, after examining past performance, it would be possible to keep the Helsinki process going.

He suggested that new confidence building measures could be considered, but described the proposals made by the Warsaw Pact two weeks ago for a world summit, and backed up by "a whole series of well-worn propaganda proposals," as "not the way forward."

# Community attacked over Spain entry talks

By Robert Graham in Madrid

THE SPANISH Minister for European Affairs, Sr. Leopoldo Calvo Sotelo, has acused the EEC of dragging its heels in the negotiation of Spain's entry to the Community. The accusation was made on Monday during a two-day closed door debate in Brussels between members of the European and Spanish Parliaments.

This is the first time that Spain has reveled its concern at a slowdown in the pace of negotiations. Although the meeting was closed, the Madrid Press yesterday published detailed reports giving prominence to Sr. Calvo Sotelo's speech.

Sr. Calvo Sotelo said that although Spain still adhered to the European idel, it was being eroded by the EEC's tough posture and the attitudes of some European political parties — an indirect reference to the French.

He directly disagreed with points made by the vice-Commission, Sr. Lorenzo president of the European Natolo, who said that the transition time for agriculture should be 7-10 years and the introduction of VAT should have immediate effect.

Sr. Calvo Sotelo added: "For several months the internal problems of the Community have delayed decisions on such important matters as agriculture, fishing and the budget."

Spain now regarded the Community's problems as also its own, it was willing to show understanding. But, he added: "We have also had our own internal problems, which have been just as big, and this has not prevented us from maintaining the necessary pace for negotiations."

It would be illusory to pretend that, in the future, there would be a time when the Community had no internal problems, he said.

Sr. Calvo Sotelo: accused EEC of dragging its feet over negotiations

# Arbed mergers approved

By Giles Merritt in Brussels

THE EUROPEAN Commission has announced it is permitting two different mergers involving arms of the big Luxembourg steelmaker, Arbed.

The authorisation, under Article 66 of the Treaty of Paris that set up the European Coal and Steel Community, concerns two deals under which Arbed is aiming to rationalise ancillary operations.

Under the first, Arbed is merging its maintenance and transport activities with West German interests. The Luxembourg steelmaker will hold a 50 per cent stake in a new company aimed at developing transhipment and open cast mining operations, and the remaining 50 per cent will be held by Otto Wolff, of Cologne.

The second deal concerns Arbed's nut and bolt producing units, which are being merged with another West German concern, Bauer and Schaurte of Neuss, near Cologne, in a jointly owned company.

Both agreements have been notified to and cleared by the Brussels Commission in order to ensure that they do not create groupings that could evade the EEC competition rules.

# Norway drops safety rule to boost Statfjord output

BY FAY GJESTER IN OSLO

NORWAY IS waiving a safety rule which has held down production from the giant Anglo-Norwegian Statfjord oil and gas field. As a result, oil output from the field is likely to be about 9.5m tonnes next year, against an estimated 5m tonnes.

The rule being waived banned Mobil, the operator company from drilling production wells through a platform shaft which was being used simultaneously for production.

No gas has yet been produced from the field and is to be re-injected until a pipeline has been laid to take it ashore. So far, the Oslo Government has not even decided where it wants the line to go.

Two conditions are attached to the Government's concession over the safety rule: a mobile hotel platform must be stationed beside the production platform, linked to it by a gangway, and the re-injection of field's gas must have started.

The gas re-injection system is expected to be functioning within about a week, and the field's hotel platform—currently undergoing inspection in port by Dt norske Veritas — will be back on site by mid-June. When it arrives, the company will be able to start drilling and production through the same shaft, thus almost doubling output.

Meanwhile, the Norwegian Government has asked Parliament to approve the allocation of additional funds to finance offshore safety training this year. The request, tabled at the weekend, proposes that an extra NKr 8.7m (£765,000) should be provided this year.

Most of the money, which will come on top of an extra NKr 16.5m approved recently, will be used to expand facilities or safety training at navy and merchant navy schools. Some NKr 1.2m of it will fund a group which will study the oportunities for safety training in Norway and abroad.

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# E. Germany's DM 3bn a year from detente

BY LESLIE COLITT IN BERLIN

EAST GERMANY obtains at least DM 3bn (£720m) annually from West Germany in government and private payments largely as a result of improved political relations between the two countries, according to a study of West German economists.

The German Institute for Economic Research (DIW) in West Berlin notes that West Germany now makes annual transfers of DM 1.5bn to East Germany under a series of agreements. These include the improvement of West Berlin's autobahn, rail and barge links across East Germany to West Germany, as well as lump payments for use of the East German autobahn to Berlin by West Germans. In addition there are visa charges, minimum currency exchange fees and road-toll charges paid by West Germany and West Berliners, who made some 8.1m border crossings last year.

The institute also notes that another DM 1.6bn is transferred privately each year by West Germans to their relatives and friends in East Germany. This includes DM 500m in cash gifts, which are spent in the hard-currency Intershops in East Germany, DM 150m in mail order presents and DM 950m in presents sent or carried over the border by Westerners.

The DM 1.6bn is worth an average DM 100 to every East German, or 400 marks in terms of East German prices for the same luxury goods. After subtracting values for the presents sent to West Germany each year and spending by West Germans visiting the East, institute calculates that Western private payments are equal to 5 per cent of East Germany's annual retail trade turnover.

The DIW says it has excluded from calculation the direct Intra-German trade, with its DM 850m annual interest-free "swing" credit to East Germany, since it is virtually impossible to determine the benefits accruing to either side.

Over the past 20 years, the importance of tihs trade to both German states has declined. In 1958, it made up 2.4 per cent of West Germany's foreign trade and 11.2 per cent of East Germany's. In 1978, it was up 1.6 per cent and 8.2 per cent.

The institute points out that although intra-German trade has grown 11 per cent annually over the past 20 years, East Germany has not derived maximum technological advantage or improvement in its living standards from West German exports. Nearly half of these continue to be raw materials and producer goods. Plant and equipment for investment make up only 25 per cent and industrial consumer goods less than 10 per cent of the West German products exported to East Germany.

# No place for Kohl in a Strauss Cabinet

Dr. Helmut Kohl: left out of the team

BY JONATHAN CARR IN BONN

THE LEADER of the West German Christian Democrat (CDU) opposition party, Dr. Helmut Kohl, will not have a Cabinet post if Herr Franz Josef Strauss becomes Chancellor later this year.

This has emerged in advance of the official announcement of Friday of the opposition team which will help Herr Strauss try to unseat the Government in this October's general election.

It had been widely assumed that Dr Kohl, as chairman and as candidate for the chancellorship in the 1976 election, would play a major role in a Strauss government.

However, it is understood that if the CDU and Herr Strauss's Bavarian Christian Social Union (CSU) win the election Dr. Kohl will stay on as leader of the CDU-CSU parliamentary group, not enter the Cabinet.

Whether Herr Strauss does not want Dr. Kohl in the Government or whether Dr. Kohl does not want to be a member of it is not clear. The two are old rivals, although in public they are seeking to present a united front in the battle to defeat Chancellor Helmut Schmidt's coalition.

In a further surprise, Dr. Gerhard Stoltenberg, a vice chairman of the CDU and Prime Minister of Schleswig Holstein, is likely to agree to serve with Herr Strauss. He would probably be Vice Chencallor in a CDU-CSU Cabinet.

Until now Dr. Stoltenberg has indicated a desire to concentrate on politics in his home state. His readiness to change is widely seen as a boost to Herr Strauss, since it may help win more north German votes for the CDU-CSU. So far Herr Strauss's ability to attract support has ben held to diminish the further he travels from his native Bavaria.

Other potential Cabinet members expcted to be announced on Friday include Herr Alfred Dregger, see nas well to the right of the CDU, Herr Walther Leisler Kiep, on the liberal wing of the party, and Dr. Friedrich Zimmermann, one of Herr Strauss's most trusted party lieutenants.

They are all members of an inner circle of about eight people who are felt bound to be in a Strauss government. A further team of about 20 will also be announced, some of whose members might also gain a Cabinet post.

They include the Prime Minister of Lower Saxony and Baden-Wuerttemberg, Dr Ernst Albrecht and Herr Lothar Spaeth. Their presence is intended to underline to the electorate the breadth of experience on offer.

# Proposed Swiss tax may be illegal, bankers say

BY BRIJ KHINDARIA IN GENEVA

SWISS Government plans to impose a 5 per cent tax on interest paid on fiduciary bank deposits are being opposed by the Swiss bankers' association, which says that such a tax may be illegal.

The Government has not yet announced exactly how the tax would work, but appears determined to apply it. Fiduciary deposits are accounts held by Swiss banks on behalf of foreigners living outside Switzerland at the customer's risk and reinvested on his behalf in foreign money and security markets.

The bankers' association describes the proposed tax as "politically motivated." The association's administrative council has unanimously opposed any new tax on bank customers and, in particular, "the Government's intention to apply a withholding tax on fiduciary deposits."

The principle underlying withholding tax is that the customers should be resident in Switzerland. Its application to fiduciary accounts would be irregular, the association says, because Swiss banks act only as intermediaries. The account owners could not claim reimbursement of the tax because not all countries had double taxation agreements with Switzerland.

# Gibraltar talks run into trouble

BY DAVID TONGE

The opening of the border between Gibraltar and Spain has been delayed. Talks between London and Madrid to end the 11-year-old Spanish blockade of the Rock were to have been completed by Sunday. But the talks have run into problems.

The opening of the frontier was agreed by the British and Spanish Foreign Ministers in Lisbon on April 10 as one part of a trade-off. Britain was to open negotiations on the future of Gibraltar, and Spain was to suspend the restrictions it had imposed on border crossings and maritime links. But this appears only to have stiffened the resolve of the Gibraltarians to maintain their independence from Spain.

Lord Carrington, the Foreign Secretary, has since made it clear that Britain is committed never to allow the people of Gibraltar to pass under the sovereignty of another state against their wishes.

Despite urging from Britain, the Spanish have yet to complete preparations for opening the border. In part, this reflects the lack of domestic clout of the Spanish Foreign Ministry. But the Government of Sr. Adolfo Suarez has to tread carefully on this emotive national issue at a time when it has had to fight for its parliamentary survival.

But the issue must be solved before Spain can be accepted into the European Economic Community and Britain clearly has some power to enforce a solution on that basis.

A further meeting between Lord Carrington and his Spanish counterpart, Sr. Marcelino Oreja, was tentatively scheduled to follow the completion of preparations to carry out the Lisbon agreement. It now appears to have been postponed. At the same time there is dispute over the meaning of some phrases in the agreement, as well as over various practical problems, not least whether Spaniards must carry passports when they visit a territory ceded to Britain by the Treaty of Utrecht of 1713.

# Jenkins to stay full term in Brussels

By John Wyles in Brussels

AN ORDERLY change at the top of the European Commission seems assured after a statement yesterday by Mr. Roy Jenkins, the president, that he intends to stay until the end of the year.

Mr. Jenkins' plans have been the subject of intense speculation in Brussels and London. Since his Dimbleby lecture late last year, in which he called for a new British centre party free of left-wing dogma, Mr. Jenkins and some leading right-wing members of the Labour Party have been closely watched for signs that any new political group might be in the making.

Two British newspapers reported he would resign from the Commission this month to launch a new social democratic party in Britain. But a statement issued here on Mr. Jenkins' behalf yesterday said: "It is and always has been his intention to fulfil his four year mandate which runs until the begining of January 1981."

Mr. Jenkins' successor will be nominated by a meeting of the heads of government of the European Economic Community in Venice next week.

On the "Buggins' turn" principle, the job ought to go to a candidate either from Denmark, Ireland or Luxembourg, none of which has provided a president, or from Holland or Italy, whose men did not serve the normal four-year term. Few of the names put forward around Brusels on behalf of the small countries have carried much credibility apart from M. Gaston Thorn, Foreign Minister and ex-Prime Minister of Luxembourg.

But France, Britain and West Germany could well agree on a more glamarous figure who might well prove to be Italian. Sig. Filippo Maria Pandolfi, Italy's Finance Minister, is being strongly tipped from Rome, but after a crowning success as chairman at the British budget negotiations, Sig. Emilio Colombo, the Italian Foreign Minister, is seen as a more attractive candidate if he could tear himself away from almost a lifetime's career in Italian government.

# OECD's trade pledge stresses ties with developing countries

BY ROBERT MAUTHNER IN PARIS

MINISTERS REPRESENTING the Wests's main industrialised nations were expected yesterday to adopt a new declaration on trade policy, pledging their governments to avoid restrictive trade measures and to promote the economic development of poorer countries.

The declaration was discussed on the first day of the two-day annual ministerial meeting of the 24-nation Organisation for Economic Co-operation and Development (OECD), the first half of which is attended by Foreign Ministers and the second day by Economics Ministers.

The new trade declaration is intended as a guideline for the member countries' trade policies throughout the 1980s. It spells out in greater detail than the old trade pledge member countries' commitments. Unlike its predecessor, it lays particular emphasis on the need to strengthen trade with developing countries and to pursue policies which contribute to their economic prosperity.

In this context, the declaration stresses the crucial importance of export earnings for developing countries and the favourable effect of high growth in those countries on the world economy.

Other commitments included in it are to maintain and improve the open and multilateral trading system; to strengthen the role of GATT; to implement fully the commitments made in the last round of multilateral trade negotiations; to avoid restrictive trade measures, which could have an adverse effect on inflation, productivity and growth; and to avoid policies leading to a distortion of export competition, particularly in the field of export financing.

Concern with the problems which developing countries are facing as the result of spiralling oil prices and the economic slowdown in the industrialised countries, permeated the speeches of all the ministers present.

Mr. Warren Christopher, the U.S. Deputy Secretary of State, said developing countries must be helped to adjust to higher oil costs. Energy conservation and the development of alternative sources of energy must be intensified and the less developed countries (LDC's) must be assured that, in spite of lower growth in the industrialised world, OECD markets would remain open to them.

# Gaullists call for more spending on defence

BY DAVID WHITE IN PARIS

THE GAULLIST RPR Party, the main parliamentary force in the ruling French coalition, called yesterday for increased defence spending and a strengthening of the country's strategic nuclear weapon capacity.

The demands presented by M. Jacques Chirac, the party leader, came in response to a document published last month by the defence committee of the pro-Giscard UDF party. The document indicated a shift towards greater co-operation with the North Atlantic Treaty Organisation and an emphasis on tactical weapons, including the neutron bomb, so as to raise the threshold for the use of strategic arms.

The RPR said France, which belongs to NATO but not to its military command structure, should reject the principle of a graduated nuclear response which had been accepted by the alliance. France should raise its defence spending from 3.3 per cent of gross domestic product at present to 4 per cent or even 5 per cent before the end of the century.

The party called for changes in the national service system, with compulsory service cut from one year to four months and the introduction of voluntary technical service of 18 to 24 months. It also proposed voluntary national service for women and a big civil defence effort.

# South Africa's whites angered by lax security

BY QUENTIN PEEL IN JOHANNESBURG

SOUTH AFRICA'S Cabinet met yesterday to consider its response to the sabotage of two Sasol synthetic fuel plants and an oil refinery, amid widespread recrimination about lack of security at strategic industrial sites.

With police still searching for leads on the black guerrilla groups which undertook the three attacks, the only government response so far has been to reiterate its warning of retaliation against neighbouring states which assist the guerrillas.

Meanwhile a white university lecturer was yesterday found guilty on five charges of economic espionage. He will be sentenced on Friday.

The sabotage, which destroyed fuel and storage tanks valued at some R5.8m (£3.2m) was greeted by sharply differing reactions. Whereas the general white reaction has been one of shock and anger, many blacks, especially in urban areas, welcomed the attacks, or at least had no strong feelings about them.

The largest circulation black newspaper, Post, was unable to quote reactions to the raids without contravening the Terrorism Act, a senior journalist said. The Act outlaws any public expression of support for actions against the South African economy.

However, Chief Gatsha Buthelezi, Chief Minister of the Kwazulu homeland and leader of Inkatha, the largest legal black organisation, called for the creation of black vigilante groups which would shoot to kill to protect buildings.

There was widespread criticism in white newspapers of the apparent lack of security at the oil installations. "Terrorism has now started here on a serious scale," Die Transvaler, the leading National Party newspaper in Johannesburg said. The English-language Citizen, called for a merciless response. "The terrorists . . . cannot be fought with kid gloves," it said.

In the Pretoria Supreme Court, Dr. Renfrew Christie, a lecturer at the Cape Town University, was found guilty of five charges of economic and strategic espionage. They included attempting to pass on information about the ground plan of the Koeberg nuclear power station and coal-fired power stations to the banned African National Congress.

The boycott of schools in African, coloured (mixed race), and Indian townships, continued to spread yesterday and coloured schools in Namibia were affected for the first time.

Black and coloured workers in Cape Town yesterday boycotted buses for the second day running in protest at fare increases.

# West Bank blames Israel for bomb attacks

BY DAVID LENNON ON THE ISAELI-OCCUPIED WEST BANK

THE MAYOR of Nablus, Mr. Bassam Shaka, yesterday accused the Israeli Government and secret service of being responsible for the car-bomb explosions on Monday which seriously wounded Mr. Shaka and the Mayor of Ramallah, another large town on the Israeli-occupied West Bank.

Mr. Shaka, who lost both legs in the explosion, told the Financial Times as he lay in his hospital bed: "The assassination attempts on me and Karim Khalaf of Ramallah are a continuation of the Israeli policy aimed at evacuating our land which recently included the deportation of the Mayors of Hebron and Halhoul and Hebron's religious leader."

Despite doctors' warnings that he was still not out of danger, Mr. Shaka insisted on seeing journalists and said he would continue to plead his case for Palestinian independence.

Mr. Shaka said that despite the loss of his legs he would never give up. "My will will be much stronger than before."

Asked about the prospect of the Israeli Government finding the bombers and bringing them to justice, the Mayor quoted an Arab proverb: "A killer will go to the victim's funeral."

Mr. Shaka's family refused to let the West Bank's Military Governor enter his home on Monday to express regret. "My family drove him out with accusations that he was the murderer," Mr. Shaka said.

The determination displayed by Mr. Shaka could be felt all over the West Bank yesterday. A three-day commercial strike was called to protest against the attacks on the mayors, but within a couple of hours yesterday morning all the shops had been forced to open by Israeli troops who broke the locks on some of the stores.

One shopkeeper said that this left him with no option but to resume business. He did not, however, appear to be terribly upset about being forced to deal with customers.

The open shops gave a deceptive appearance of normality to the scene. Life appeared to be continuing normally. But every Palestinian spoken to was seething with anger, fear and defiance.

Palestinian resistance to the occupation recently reached a level unprecedented since the Israelis overran the territory in the 1967 war. In recent months there have been riots, bombings and guerrilla attacks against Israeli soldiers and settlers.

A visibly rattled military government has responded with repression, including expulsion, house demolition and curfews on a scale not witnessed since the early days of the occupation. But Palestinian resistance appears to be more determined and widespread than ever before.

Yesterday the mood of solidarity among Palestinians was palpable. Left-wingers and Right-wingers, monarchists and revolutionaries, poor and rich, came in pilgrimage to the bedsides of Bassam Shaka and Karim Khalaf, who had a foot blown off when his car exploded.

Men such as Mr. Anwar Nusseibeh, a former Jordanian Defence Minister, and Mr. Hikmet al-Masri, a former Speaker of the Jordanian Parliament, who have in the past been accused by the radical mayors of being lackeys of King Hussein, looked shocked as they came to see their Palestinian brothers, all animosities temporarily forgotten.

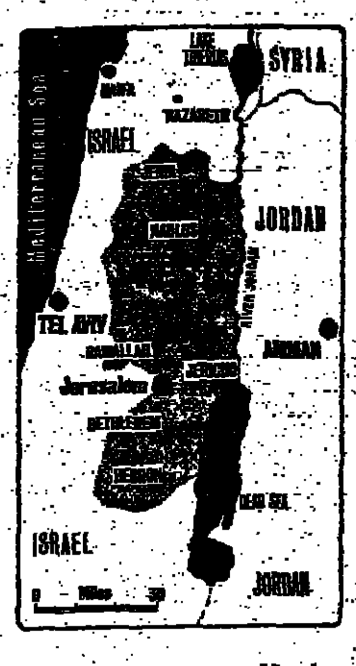
Mr. al-Masri said he no longer felt that the Israeli army was protecting the local population. "Now there is a new army, linked to the Minister of Agriculture, Mr. Ariel Sharon, and to the Government. They come in private cars and civilian clothes . . ."

In addition to the conviction that the attacks were carried out by Israeli extremists, there is a deeply held belief that the Israeli authorities connived at the bombings.

There is no way of telling who was responsible. But the fact that the Israelis are held responsible—whether slightly or not—will not ease the tension. There is hatred in the eyes of West Bank Palestinians as they watch heavily armed Israeli soldiers patrolling the towns and sitting on the rooftops.

But the anger has other targets. One Palestinian who did not want to be named for fear of Israeli reprisals accused the U.S. and European Governments of having adopted the wrong policy towards the Palestinians, a policy which might drive them into the arms of the Russians. "The West is only interested in the Palestinian issue because of oil. If the oil states lose their power you will abandon us," he said.

Oddly enough it is the conservative mayors in the occupied territories who have begun to resign in protest both at the attacks on their colleagues and what they describe as the iron fist policy of Israel towards the Palestinians. The Mayor of Bethlehem and his city council resigned yesterday, following the lead of the Gaza municipal authority which quit on Monday.




Ultimately it is the split between the radical and conservative Palestinians which affords Israel a faint hope of binding some Palestinians to the limited autonomy plan which it has been discussing with Egypt and the U.S. and which is now seriously bogged down.

# Extravagance threatens Sri Lanka's prosperity

BY DAVID HOUSEGO IN COLOMBO

IN THE midsummer heat of Colombo, the main point of conversation, and indeed of newspaper comment, are the daily power cuts which could black out almost the whole island this week if the Monsoon is delayed much longer.

Sri Lanka is having its worst drought in 10 years and 85 per cent of the country's power is hydro-electric. The reservoirs and rivers that are fed from the spectacular high land of the tea estates are running dry. The Sri Lankan government has announced that most state sectors will shut down this week to save power. At the new Export Processing Zone outside Colombo, a much publicised project to attract foreign investment, power has been restricted to between 8 am and 4 pm.

But the power shortage is as much a sign of the tangible prosperity of the country since Mr. J. R. Jayawardene's United National Party took power in early 1977 as it is of poor planning in the past.

Demand for power has shot up in part to supply a market for electrical appliances and air conditioners that has grown fast because remittances from workers in the Middle East and increased earnings locally have pushed up family incomes. Booming construction, trade and tourism are driving up rents and hotel rates in Colombo and the coastal resorts.

All this follows seven years of virtual stagnation under Mrs. Bandaranaike's left-wing government when growth was strangled by the double burden of a welfare state well beyond what Sri Lanka could afford and wholesale nationalisation.

The turnaround is the more striking in that the Government has pursued an almost textbook strategy for the International Monetary Fund. A hefty devaluation was followed by the liberalisation of imports and foreign exchange controls and the cutting back of welfare subsidies. Such policies have been resisted by many developing countries. Performance is

Mr. Jayawardene: a textbook strategy

being monitored under a three-year borrowing from the IMF's Extended Fund Facility which carries the toughest of IMF conditions.

Mr. Ronnie de Mel, the Finance Minister says that relations with the fund have been "tough going from time to time." But the advantages are clear. In the last two years, Gross National Product has grown an average of 7 per cent while welfare payments have fallen as a proportion of GNP from 9 to 5 per cent, releasing resources to expand public investment.

The IMF package has also provided access to concessional aid and grants of $330m and to commercial lending at favourable terms, a sharp increase in both foreign and domestic private investment and the welcome creation of well over 200,000 jobs in a workforce in which 15 per cent are still unemployed.

Sri Lanka has suffered many of the painful difficulties of an IMF readjustment programme, exacerbated lately by unexpectedly poor trading conditions. The faster growth in trade and services has produced a new urban elite and income disparities have been widened further with a cutback in subsidies and the freeing of prices. Inflation has climber to an annual rate of 30 per cent and threatens to accelerate unless the government reins in its extravagant public works programme, as the IMF insists it should. The trade deficit trebled last year to $467m, as the faster growing economy sucked in imports while higher oil and falling tea prices worsened trade terms by 28 per cent.

The chances of maintaining growth are now threatened by the government's determination to push ahead with large-scale public projects that go far beyond the country's means.

The most showy of these is a scheme to create a new administrative capital at Kotte, outside Colombo, and transform the centre of Colombo with high-rise residential and commercial buildings to emulate Singapore, President Jayawardenes model.

The plans have already been heavily pruned, but a new parliament building, two secretariats and staff residences seem likely to go up at Kotte and outlay on the two projects should be close to $730m, or not far short of the government's revenue for 1979. It is hoped some $200m will be financed through debentures.

A further $1.1bn is to be spent over the next three years on a hydro-electric and irrigation project on the Maheveli River. The project which is the backbone of the government's five-year plan, on top of the heavy costs of establishing the free trade zone and the urban redevelopment plan can only be financed by a continuing heavy dependence on foreign capital and by squeezing the private sector. The government's problems in financing the budget deficit have already pushed lending rates to 25 per cent.

Beyond 1984, the Government cannot count on the quantity of foreign aid that has been flowing in to develop the Mahaveli scheme. It would be a sad end to a brave experiment if the opportunities that Mr. Jayawardene's Government have opened out were now sacrificed in the pursuit of extravagant prestige projects.

# Appeal to New Hebrides

BY OUR FOREIGN STAFF

BRITAIN AND France will decide jointly on what further action to take over the insurrection in the Pacific islands of the New Hebrides if there are no signs of reconciliation, Mr. Peter Blaker, the Minister of State at the Foreign Office, told the House of Commons yesterday.

In a statement following his meeting in Paris on Monday night with his French opposite number M. Paul Dijoud, Mr. Blaker said the two countries had appealed to the New Hebrides Governments and rebels on the island of Espiritu Santo to reconcile their differences.

Rebels on Espiritu Santo have set up their own government with the local plantation owner Jimmy Stevens as Chief Minister, a radio broadcast from the island said yesterday.

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# Ohira illness encourages rivals

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

SPECULATION about leadership changes in Japan's ruling Liberal Democratic Party has surfaced as a result of the illness of the Prime Minister, Mr. Masayoshi Ohira.

Mr. Ohira was admitted to hospital at the weekend after complaining of exhaustion. He is suffering from a mild heart ailment and is expected to remain in hospital for at least a week.

A quick recovery is expected but there are doubts about Mr. Ohira's ability to play more than a nominal role in the campaign for Japan's double election to the Upper and Lower Houses of the Diet which got under way on Saturday.

Even more concern is felt about the possibility that Mr. Ohira might have to miss the Venice summit of major industrial countries on June 22 and 23.

If Mr. Ohira's doctors advise him not to go to Venice, Japan will probably not be represented at the Summit since there appears to be no precedent for a head of government to be represented by a stand-in. Mr. Ohira's rivals for leadership of the Liberal-Democratic Party appear to be taking the line that attendance at the summit will constitute a test of his fitness to remain in office.

Mr. Ohira was 70 earlier this year and has been president of his party and Prime Minister since late 1978, when he defeated the then party leader, Mr. Takeo Fukuda. His leadership has been challenged on several occasions in the past year.

Last month anti-mainstream factions in the party boycotted a Lower House vote on a motion of confidence against the Government, thus allowing the motion to succeed by default. Mr. Ohira dissolved the Diet and called a general election. Polling day is June 22.

Mr. Fukuda and Mr. Yasuhiro Nakasone, both hinted yesterday that they would be ready to step into Mr. Ohira's shoes if health obliged him to step down. But neither man is regarded as a likely candidate for the premiership.

# Warning on bank recycling role

BY KATHRYN DAVIES IN SINGAPORE

FINANCIAL TIMES
WORLD BANKING
Singapore
CONFERENCE

INTERNATIONAL banks cannot be expected to play a major role in recycling OPEC surpluses in the 1980's as they did following the oil crisis in 1973 and 1974, both because of changes in the industry itself and because of deterioration in the economic strength of some of the deficit countries.

Giving this warning on the second day of the Financial Times World Banking Conference in Singapore, Mr. James Greene, president of the American Express International Banking Corporation, said that U.S. banks were already cutting back their lending to developing countries. At the end of 1975 U.S. banks accounted for 38 per cent of all international lending whereas this was now down to 28 per cent.

The problem of large OPEC surpluses and the corresponding international payments imbalances were also noted by Mr. Richard Eu Keng Mun, vice chairman of Singapore's United Overseas Bank. However, Mr. Eu took a less pessimistic view than some of his colleagues, saying he believed that oil exporters may choose to invest a greater proportion of their savings directly in the domestic financial markets of the major Western centres, even if they deploy a smaller proportion through Western banks.

But because of the freezing of Iranian assets by the U.S., the 1980s might see some discreet redistribution of OPEC to other financial centres such as the Asia-Pacific countries.

The creation of a payments mechanism for settlements within the Pacific region was examined by Mr. Tasuku Takagaki, director of the Bank of Tokyo. He said that a payments system based on a single currency such as the yen was unrealistic. Inevitably, however, the yen would increasingly be used as a medium for external settlements and reserves, and Japan would have to devise measures to ensure the smooth functioning of the yen as an international currency.

"The East Asian region promises to be the most dynamic area of economic growth anywhere in the world during the 1980s, with the trend towards greater intra-regional economic ties rather than exchanges with the rest of the world," said Mr. A. D. Mosley, executive director of the Hongkong and Shanghai Banking Corporation.

Focusing on the role of China in this expected growth, Mr. Mosley pointed out that bankers in most large countries were keeping their eyes open for signs of a more forward policy in Chinese acceptance of loans for development and trade. "But the fact remains that Peking has so far drawn down only a minute proportion of the credit which could easily be made available to it in Western Europe and the United States."

Australia's interest in the Pacific region was highlighted by Mr. Stuart A. Fowler, general manager of the International Business Bank of New South Wales. Mr. Fowler said that Australia's economic future and security was much more intimately tied up with the countries of the Pacific region than it was 25 years ago.

The area was uniquely poised to prosper in the coming decade given its new-found sense of economic purpose.

The part the international banking community could play in Third World economies was examined by Mr. Blas F. Ople, the Philippines Minister of Labour. Mr. Ople said the magnitude of the assistance of various world banking institutions may not be expected to turn the tide in most developing countries, but the fact that the Asian Development Bank had cumulatively lent some $6,650m to its developing member countries since 1967, and that the World Bank had supported projects which have created many jobs, suggested that more developed countries may have outgrown "tokenism" as an approach to international relations.

In stark contrast to the gloomy prospects for developing nations as a whole, most industrialising Asian countries—in particular Korea, Taiwan, Singapore and Hong Kong—seem to have little difficulty in balance-of-payments financing, said Dr. Kim Duk Choong, president of the Daewoo Industrial Company of Seoul. The debt service ratios of these countries were relatively low compared to those of other developing countries, he said. In addition, thanks to their remarkable economic growth in recent decades, industrialised Asian countries now enjoyed broad access to the international capital market and had a first class credit rating in the world financial community.

Dr. Kim called for greater co-operation between these countries and developed, industrialised countries.

One instance of the specific requirements of Asian countries when it comes to dealing with foreign bankers was given by Mr. Kerry St. Johnstone of the Private Investment Company of Asia (PICA). Mr. St. Johnstone pointed out that while the quality of security and collateral were vitally important to an international bank, in Asia the cultural and business attitudes of individuals and countries were almost as relevant.

# Carter nearing oil showdown with Congress

BY DAVID BUCHAN IN WASHINGTON

PRESIDENT JIMMY CARTER is rapidly approaching a showdown with the U.S. Congress over his plan for a $4.62 a barrel energy conservation fee on imported oil. This week should see who will prevail.

The result will thus be known well before the June 22-23 summit meeting in Venice, where the U.S. and the six other major Western industrial countries will be promising new efforts to reduce oil imports.

Opposition to the import fee, announced as part of the March 14 counter-inflation package, has swelled in Congress. The arguments are that it would put prices up again, and would diminish oil import volume only marginally. The Administration estimates it would cut imports wy 100,000 barrels a day (b/d) immediately and 250,000 b/d within a year. But this is tiny compared with the drop in imports already taking place because of the U.S. economic recession.

The Government is also appealing against a lower court ruling which acknowledged Mr. Carter's authority to levy an import fee, but not to pass it on exclusively in the form of a 10 cent a gallon petrol tax increase, as the Administration plans. This "loading" of the fee on petrol-users has also annoyed many in Congress, who believe that it usurps the legislature's power of taxation

The multi-layered dispute over the 1980-81 Federal budget has also spilled over on to the oil fee issue. Senator Robert Byrd, the Democrat leader in the Senate, has said that ill-will towards President Carter engendered by the budget dispute will defeat the import fee in the Senate.

A vote on the oil fee is expected as early as today. If it is defeated, White House officials say Mr. Carter will veto the action at once, and Congress will have the chance to override the President—it would need a two-thirds majority in each house—by tomorrow.

The reason for the speed has nothing to do with the timing of the Venice summit or high policy—but that the Senate at least intends to tack the oil fee issue on to an emergency motion to extend the federal debt ceiling.

Debt ceiling extensions or increases are one of those essential housekeeping bills which a Congress likes to use to deter the presidential veto. But Mr. Carter has made it clear he will veto any attempt to block his oil import fee, even if that plunges Government financing into temporary chaos.

However, the "honeymoon" period of last March, when the President and Capitol Hill leaders put on a great show of unity in the anti-inflation battle, now seems to have ended in some recrimination and with possibly serious consequences.

Only revenue from the oil import fee can probably save the 1980-81 budget being pushed into deficit by the impact of recession. The other threat to a balanced budget next year—symbol to the world of U.S. determination in bringing its inflation rate down—comes from the row over that budget's composition.

Senator Byrd . . . ill will may spill over

# Wall Street keeping close eye on oil fee

BY DAVID LASCELLES IN NEW YORK

WALL STREET is watching the fate of the oil import fee closely, not so much for its practical effect on oil consumption (which will be small), but as a signal of the U.S. determination to do something about its energy problems.

The fee was part of Mr. Carter's March anti-inflation programme. By adding $4.62 to the cost of a barrel of imported oil, it was designed to raise the price of petrol by 10 cents a gallon, or some 8 per cent

In fact, its impact on the motoring public would be small. Government economists estimate it would save about 100,000 barrels a day in the first year, or less than 1 per cent of total consumption, and even this projection is thought to be optimistic.

But the fee has a symbolic importance, particularly in the foreign exchange markets where the high rate of U.S. oil imports is a major influence on the dollar. Europeans, whose per capita oil consumption is considerably lower than that of the U.S., have strongly favoured the fee idea. If the fee is now rejected, it would be bad news for the dollar, which is already under pressure because of sharply declining U.S. interest rates.

Domestically, failure to pass the fee would mean Congress had missed a rare opportunity to capitalise on public awareness of the acuteness of the energy problem, and the need for painful measures.

However, there is also a strong feeling in business and financial quarters that the U.S. should be going not just for a 10 cents a gallon fee, but 50 cents. Politically implausible though this may be, influential Wall Street figures argue that nothing short of this will convince the foreign market that the U.S. is serious about wanting to cut consumption.

Petrol, which accounts for about half the oil consumed in the U.S., now sells for about $1.30 a U.S. gallon (about 70p an Imperial gallon). The feeling is that the price will have to reach $2 a gallon (about £1.10) before it makes any serious dent on demand.

# Canadian visible trade moves into deficit

BY ROBERT GIBBENS IN MONTREAL

CANADA'S VISIBLE trade moved into deficit in April for the first time since August, 1977. Exports to the U.S., Canada's major market, declined steeply, mainly because of the slump in the U.S. car market. Some North American car models and engines are assembled in Canada for the whole continental market.

April showed a merchandise trade deficit of C$7m (£2.6m) against surpluses of C$649m in March, C$792m in February, C$314m in January, C$576m last December and C$705m last November. The merchandise surpluses helped to offset Canada's traditional deficit on services, including dividends and interest payments abroad.

April exports dipped by 3.1 per cent to an adjusted $6.16bn from March, while imports rose by 8 per cent to $6.17bn.

# Call for 'banking safety net'

By Stewart Fleming in New Orleans

LEADING international bankers are expressing concern about the increasing risks associated with their rapidly expanding international lending and the steady erosion of the profitability of much of this business.

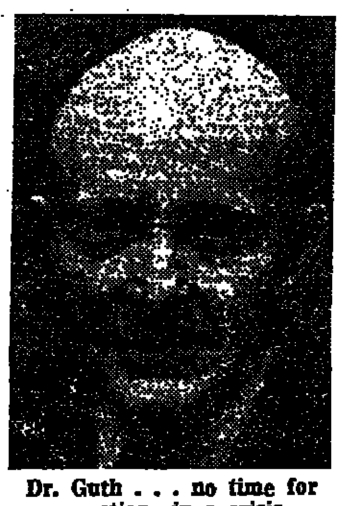
Mr. Wilfried Guth, managing director of West Germany's leading commercial bank, Deutsche Bank, has recommended that consideration be given to creating a "jointly organised private international safety net," to which individual banks in financial difficulties could resort. He stressed, however, that any such arrangement should be informal, initially consisting of discussions among perhaps the largest 20 or so international banks.

In a forthright address to the 200 bankers attending the annual International Monetary Conference here in New Orleans, Mr. Guth suggested leading international banks should give some thought to establishing in advance some "guiding principles" for handling such an international financial crisis, since "there will be no time for debating the open questions in a market crisis."

Some issues facing international bankers were outlined here by Mr. Guth and other senior executives. Mr. David Rockefeller, chairman of the Chase Manhattan Bank, for example, pointed out that since the end of 1973 international bank loans have risen from $320bn to $1,070bn at the end of 1979, which has transformed international banking. Many major banks now have more international than domestic loans on their books.

It is not just the increasing volume of lending which is causing concern, however, but the increased risks. Several elements are cited as contributing to these risks: sudden shifts in government policies which banks cannot influence—the recent roller-coaster ride of dollar interest rates for example; another is the growing portion of bank lending to developing countries and the emphasis on balance-of-payments financing.

Mr. Guth predicted that, by 1985, 65 per cent of funds raised in the Eurocredit market would be to finance maturing debt, describing this as "not a very gratifying prospect."



Dr. Guth . . . no time for questions in a crisis

William Chislett reports from Mexico City on plans to revive a neglected sector

# Transport squeeze stunts Mexico's growth

ON A crowded road in Mexico, an empty lorry returning to the port of Veracruz from Mexico City was commandeered recently by Conasupo, the Government's food agency, to carry cereals back to the capital. The protesting driver was paid for his services.

Mexican food imports this year will be 7m tonnes compared with 3.7m tonnes last year. Veracruz is the only port in Mexico with adequate food storage but Conasupo, responsible for getting food to the poor and needy at subsidised prices, has not got the transport to move the greatly increased load.

As a result fruit and vegetables rot in the fields or on the quays.

With Pemex, the State oil monopoly, the situation is equally bad though it shares transport priority with Conasupo. Recently a businessman had to deliver a large boiler to Pemex at its oil export terminal at Coatzacoalcos on the Gulf of Mexico. Finding no lorries, he was obliged to cajole a haulage company exclusively contracted to Conasupo to unload the food from one of its lorries and take the boiler. Pemex footed the exorbitant cost.

Like a child that has outgrown its clothes, Mexico's economy is chafing within a transport system, which, if not expanded, could stunt growth for a long time.

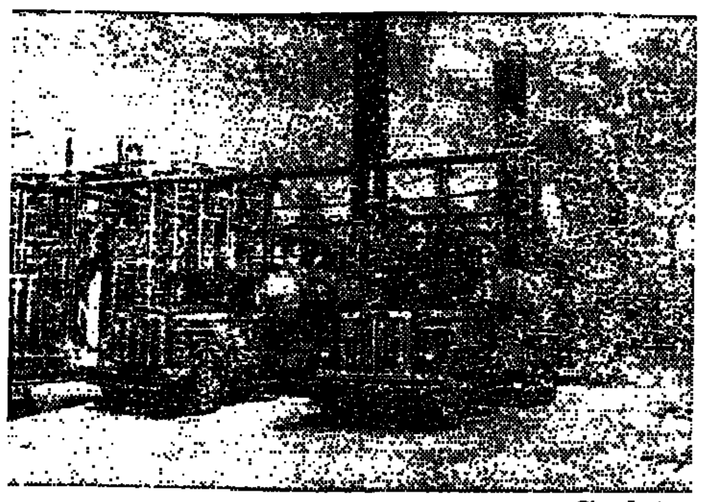
For the second year running, the Mexican economy is projected to grow by 8 per cent in real terms this year, but the overburdened railways, clogged ports, crowded airlines and overloaded lorries cannot cope. In 1978, transport accounted for only 2.5 per cent of gross domestic product.

The government has given high priority to beating what newspapers call the "transport crisis" and has allocated £18bn or 20 per cent of its "global plan" expenditure over the next three years to transport.

Last year, the border between Mexico and Texas became so clogged with railway freight that every siding from Laredo to Oklahoma, a distance of 550 miles, was at one point backed up wih Mexico-bound freight.

Part of the problem was bureaucratic. Paperwork for freight to cross into Mexico is monstrous and is generally left until the shipment arrives at the border, where there can be long delays. To clear the sidings, the Missouri Pacific Company, which operates the line, had to insist that all senders of cargo had all their papers in order before they started.

Most of the railway's 12,500 miles of track is old, gradients are generally steep, engines are unreliable and the rolling stock is not computerised, so that often wagons cannot be traced.



Glyn Genin

Lorries loading liquefied sulphur at the Cactus petrochemical complex in southern Mexico

A quarter of the railway's work force has passed the age of retirement — some engine drivers are in their 60s. But Ferrocarriles Nacionales, the State railways company is already paying a pensions bill of $1bn and must keep them on.

The high average age has helped make the company bureaucratic, inefficient and unimaginative. But it says its labour problem will be eased this year when its pension scheme is taken over by the government and the older men can be retired and younger employees brought in.

The state rail construction company recently signed a 10-year contract, valued at $480m, with General Electric in Pennsylrania to deliver up to 100 diesel-electric locomotives a year. The contract gives Mexico the option to produce some of the subassemblies itself.

The Mexican Construction Company also plans to produce 3,500 railway freight wagons this year. Last year the number of wagons in use rose by 5SS.

None of the track is so far electrified. The government's aim is to build only 375 miles of new track between now and the end of the century and to concentrate more on electrifying the busiest routes.

The first stretch chosen is 200 miles of track north of Mexico City to Irapueto, a project worth over $250m. Britain's GEC is competing for the contract with French and Japanese companies.

Yet railways still move only about a quarter of Mexico's freight, and road haulage companies cannot manage the overspill. They are privately owned but operate on Government-fixed routes, which cannot be shifted quickly to areas that have special needs.

It is an open secret that many routes are controlled by powerful politicians and that competition against their monopolies is not tolerated. Sr. Ruben Figueroa, the Governor of the State of Guerrero, runs Mexico's largest haulage company and his son, a deputy for the ruling Institutional Revolutionary Party, is transport manager for Sidermex, the Government's holding company for the state steel sector.

Mexico's oil-fuelled economic boom could transform the country into an industrialised nation, but the bottlenecks in the transport system must first be cleared.

# WORLD TRADE NEWS

## Iran steps up Caspian port traffic

By Andrew Whitley in Bangar Enzeli

THE PORT of Bandar Enzeli, the larger of Iran's two commercial ports on its northern Caspian Sea coast, is currently working near its maximum capacity of 350,000 tonnes a year.

Yesterday seven Soviet vessels were being unloaded along the single quayside, one more than on the previous day, and there was not a spare berth in sight. The ships were the standard, medium-sized vessels which ply the route from the Soviet railhead at Baku.

The goods visible on the dockside were giant rolls of paper, in short supply in Iran, and sacks of animal feedstuff.

David Salter adds from *Moscow: Iran is to extend its* Caspian Sea ports to accommodate growing numbers of Soviet ships in a further bid to defeat the U.S.-led economic boycott, the Soviet news agency Tass reported *yesterday.*

In a dispatch from Tehran, Tass said that the decision to expand port facilities was taken at the Soviet-Iranian *conference on shipping and ports which has just ended*

Margaret Hughes examines moves to bring export credits into line with market realities

## The increasing burden of interest rate subsidy

*THE MUCH* publicised suspension of new government backed export credits to Iran and the *withdrawal of the extremely* favourable credit terms available to the Soviet Union has highlighted the crucial role of export credits in international trade.

A *side effect of this* has been to emphasise the artificially soft credit terms on which foreign buyers are able to buy capital goods and equipment from the major exporting countries. It was therefore not surprising that the *U.S.* along with countries with low domestic interest rates managed at last *month's OECD meeting to* review the international export credit consensus to persuade other exporting countries to agree to a modest increase in rates.

From July 1 the minimum interest rate for fixed rate export credits extended for over five years to rich and inter*mediate buyer* countries will rise by 0.75 per cent to 8.75 and 8.5 per cent respectively. For poor countries there will be a smaller rise of 0.25 per cent to 7.75 per cent. The same uniform rises will be applied to credits of two to five years bringing the rate for rich countries up to 8.5 per cent, for intermediate countries to 8 per cent and for poor countries to 7.5 per cent.

These increases are in line with the proposals submitted by the EEC. But although an agreement on any increase at all is a major achievement given the wide differences on the issue, the results fall far short of U.S. demands. The U.S. backed by countries with low domestic interest rates, was seeking at the very minimum across the board increases of 2 per cent. But more importantly it wants a major reform of the whole system so that export credit rates reflect the true cost of finance and thus eliminate the need for interest rate subsidy.

The most that was achieved on this score was an agreement *to attempt to reach an accord* on a reform of the system. The U.S. is hopeful that such a consensus will be reached by early December with implementation of the first phase likely to be introduced early next year.

When they were first drawn up in 1976 consensus rates were even then generous to the buyer *compared with market rates.* And while export credit rates have been held at these same levels domestic rates have risen sharply so that there are now wide divergencies between the two.

*Export credits now bear little* relation to the true cost of financing and maintaining these rates has become a considerable and increasing drain on Governments who subsidise these rates either directly or by making up to the banks which provide the finance the *difference* between the fixed export credit rate and market rates. It has been estimated that this interest rate subsidy is likely to cost OECD countries as much as $3bn in the current year having already absorbed some $2bn over the past two years.

Low inflation countries have attacked these subsidies because they allow those with high interest rates to compete unfairly.

In the case of the UK—where interest rates have been subsidised since 1972 when they had fallen well behind market rates—this *interest rate subsidy* has risen from £116m in 1977-78 to £350m in the latest financial year. If the current level of domestic rates is maintained, which seems likely given the Government's recent statements *ruling out any early cut, the* subsidy will be nearer £500m this year, which would eliminate the savings gained through the recent ending of refinancing.

And such is the present level of the subsidy that the Treasury, along with *some other* Government officials, are *now* supporting U.S. pressure to do away with the interest rate subsidy altogether

However, officials in Government departments more directly involved in exporting are extremely alarmed by such proposals. Given the depressed level of world trade and the already high unemployment in Britain they argue that this is not the time to undermine Britain's competitive position any further. British exporters are already suffering from the unusual handicap of a strong currency coupled with high *interest rates.* These officials like the French and Italians are therefore totally opposed to any increase in export credit rates

But while countries with high interest rates are worried about any increase in export credit *rates there is a growing inter*national mood for a more substantial reform of the export credits guidelines. After sharp *differences re-emerged at the* OECD review meeting at the beginning of last year a study *group was set up chaired by Mr.* Axel Wallen, head of the Swedish export credit organisation, to investigate what changes could be made to reduce subsidies and make competition fairer. The study group reported back earlier this year with the following three proposals aimed at making the guidelines more market oriented.

1—A system similar to the present one with the same minimum rate for all currencies. This would be the weighted average of the market *rates of a number of currencies* which would be adjusted every six months in line with market rates. This would be the most attractive proposal to high interest rate countries but the least attractive to those with low interest rates. It would also have the least impact on reducing the subsidies.

2—*A system of separate mini*mum rates for each currency, which would be related to the different market rates for medium-, long-term government bonds in each currency, and would be adjusted half-yearly in *line* with market rates. This would virtually eliminate interest rate subsidies and is therefore the most popular with the U.S. and low interest rate countries.

Predictably it is the least popular with high interest rate countries. It has been calculated, for instance, that this *would give the UK* an *export* credit rate of around 14½ per cent for exports sold to rich countries compared with a rate of around 10½ per cent under the first alternative. This would obviously put the UK rate well above the average rate for other currencies with a consequent loss in UK competitiveness. It has been estimated that were *this differential between* the UK and the average rate of the order of 2 per cent it would *result* in a 16 per cent fall in British exports. Were the

3. The third alternative is a variation of the second whereby a ceiling rate would be fixed for currencies with higher than average interest rates above which governments would still be able to subsidise rates. For high interest rate countries this *would* be the more attractive version of the differentiated system.

This alternative is a compromise solution and may well form the basis of future discussions once—if ever—the principle of differentiated rates has been accepted by the main participants. The UK Treasury is known to have come up with its own variant which would result in a uniform rate for all currencies with rates equal to or above average while currencies with rates below average would vary according to their market rates. *This variation* would give the UK a similar export credit rate as under the first uniform rate system—*10½ per cent.*

**President Carter is to raise the whole issue of official export credits at this month's Venice summit, Dr. Harald Malmgren, a former U.S. chief trade negotiator warned yesterday in a lecture to the Trade Policy Research Centre in London. The present OECD arrangement, he said, contained holes like Swiss cheese. The coverage was limited and the scope for mixed credits wide. Having failed to tighten the rules the U.S. had now embarked on a selective "meat and beat" policy, aimed particularly at the French.**

## Shipbuilders see gradual recovery by mid 1980s

By Roger Boyes in Bonn

LEADING JAPANESE, American and West German shipbuilders—arch rivals on *the world market—agreed* yesterday that they should be able to master the inter*national* shipping crisis by the mid-1980s.

Recovery, speakers stressed at the German shipbuilders' annual meeting in Hamburg, will be gradual not dramatic. It will hinge on the replacement needs of ageing Western fleets, on the demand from Third World countries for *shipbuilding facilities and, in* the case of the U.S. on the development of naval shipbuilding.

Mr. Edwin Hood, president of the Shipbuilders' Council of America, stressed that in the long term he saw "a modest acceleration in naval shipbuilding to meet the objective of a 550-ship U.S. naval fleet by the mid-1990s."

"I see a gradual not a sharp increase in merchant ship construction starting in three or four years to accommodate incremental increase *in world trade* and *a rise* in the volume of cargoes carried by U.S.-flag shipping which is essential to U.S. national *interests.*" He also *believed that* there were strong prospects for ocean mining ships, ocean thermal energy conversion plant ships and coastguard cutters.

All three nations stressed the importance of high value specialist ships which will be the key product line for both *the* U.S. and *Germany* until 1983-84. However, Japan, which last year captured a 50 per cent world market in new vessel construction, is also relatively confident that it has a good chance in conventional shipbuilding "as long as ships are needed as a means of large volume seaborne transport."

*Mr. Shezo Doi, chairman of* Japanese Shipbuilders Policy Committee, stressed the importance of rationalisation in Japanese yards — there has been a cut of some 40 per cent in building capacity since 1978. This tacitly rejected the view—voiced persistently by other speakers during the con*ference—that* Japan had increased its market share largely because *of the weakness of the yen against the* dollar and other trading currencies. German shipbuilders have been particularly bitter about this form of price competitiveness which they frequently compare with a type *of dumping.*

## Soviet grain needs boost cargo trade

By Gareth Griffiths

SOVIET GRAIN shipments are expected to play a key role in the buoyancy of the shipping dry cargo market, which should remain strong during the summer.

Matheson Chartering in its market report for May argues that Russian grain chartering's impact on the markets has been immeasurably increased by the U.S. grain embargo, which has forced the Soviets to go much further afield for their supplies.

The market is still dominated by grains, although coal is providing strong support. Japanese buyers in particular have increased their imports of U.S. coal.

In contrast to coal, oil trades remain depressed with the number of tankers laid up at the end of May at 98 com*pared to 89 in April.*

## Developing nations fear tougher textile controls

BY BRIJ KHINDARIA IN GENEVA

DISMAYED BY the growing possibility that any renewed Multifibre Ararngement (MFA) might place greater controls on their textile and clothing exports, developing countries are increasingly saying they will allow the MFA to collapse rather than be *an unsatisfactory one.*

Negotiations to renew the MFA, which governs the world's textile trade, will begin in Geneva towards the end of the year and announcements by textile industry associations in the U.S. and EEC have created apprehension here about the political determination of Western *governments to work* for textile trade liberalisation rather than protection.

Diplomats are closely watching the U.S. Administration's reaction to the American Textile Manufacturers' Institute's demand *that the MFA should* be made considerably more restrictive to protect U.S. industry.

In the past, developing countries have seen the U.S. as an ally in their battles with the EEC, which insisted on obtaining a clause in the *1977* accord allowing for "reasonable *departures*" from the MFA's requirement that Third World exports be allowed to grow at an annual rate of at *least* six per cent.

The "reasonable departures" were permitted by Third World negotiators on the understanding that they would be kept to short periods to meet situations of acute *distress to* domestic industries.

Third World diplomats now note that the U.S. *Government* might be moving closer to the Community's position, indicating that the "reasonable departures" might become a permanent feature.

## Buy British plea from clothiers

By Rhys David

THE CLOTHING Manufacturers' Federation has written to a number of large UK local authorities urging them to give preference to British-made products in the purchase of apparel.

The letter, signed by Mr. Gerald French, the federa*tion's director, said* it cannot be unreasonable for money raised from the British public, to be spent in this way rather than on imported merchandise, often produced under conditions which would not be tolerated in the UK.

Mr. French argues that employment in clothing has *declined* from more than 550,000 in 1951 to about 300,000, and that this figure is *rapidly declining* as a result of the pressure of cheap imports. In 1970, he says, imports of all types of men's outerwear were only £29.6m. By last year the total had reached £319m.

The federation's letter is another shot in the campaign by the textile and clothing industry against imports, which have been continuing to rise this year

## Cardin in Israel fashion deal

By L. Daniel in Tel Aviv

DESPITE difficult world market conditions, Israeli fashion *exports continue to do* extremely well—a fact appreciated by overseas designers. Pierre Cardin has just reentered the Israeli fashion scene by licensing Delta Textiles, manufacturers of shirts and underwear, to sell Cardin knitwear designs in Israel and the UK. The four-year-old company expects to reach an export volume of $20m (£8.5m) this year.

Pierre Cardin in the past designed men's suits for the Bagir division of Israel's largest textile combine, Polgat, but that agreement was not renewed two year's ago, reportedly because of disagreement over the rate of royalties.

● A trade mission, representing 24 UK industrial companies interested in selling to Israel, is due here for a week's visit on June 15. This will be the second such group to come to Israel this year. The mission's emphasis will be on technology-based industries, in line with the requirements of the Israeli market.

# Government starts probe of CEGB

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

A WIDE-RANGING investigation into the operating efficiency of the Central Electricity Generating Board was announced last night by the Department of Trade.

The investigation, under the Government's new Competition Act, was foreshadowed last month when a new electricity price rise was announced.

The investigation will be carried out by the Monopolies and Mergers Commission and will take six months to complete, although the Commission can ask for a three month extension. The probe represents the third Government backed investigation into aspects of the industry's prices in four years.

The Monopolies Commission is investigating British Rail's south-east commuter services and is expected to start an investigation of the Severn-Trent Water Authority soon.

Mrs. Sally Oppenheim, Consumer Affairs Minister, said last night it was important to establish that everything possible was being done by the CEGB to increase efficiency and absorb costs to keep prices as low as possible.

The commission has been asked to examine five areas in particular:

- The CEGB's internal cost and project control systems.
- The management information system.
- The CEGB's purchasing policy.
- The management of plant maintenance.
- The planning and appraisal of new investment.

The commission will have to decide whether any of these activities by the Board are operating against the public interest.

Mrs. Oppenheim denied suggestions that the delay in launching investigations into anti-competitive practices by single companies under the Act has been caused by pressure from industry.

She said the delay had been caused by the need to lay all the various enabling orders before Parliament at the same time. These orders would be laid before the end of June. The preliminary work of the Office of Fair Trading had not been held up by the delay.

The office will carry out a short investigation of anti-competitive practices by single companies before deciding to refer the cases to the commission for a six-month probe.

It is still understood, however, that no OFT investigations will be formally announced until towards the end of July.

# Front-runner in a competitive field

BY GUY DE JONQUIERES

IT WOULD be tempting to describe David Elsbury, named yesterday as chairman and chief executive of the newly-formed Racal-Decca, as a true company man. He has spent his adult life with Racal, which he joined in 1956 in the unglamorous position of junior tester of refurbished British Army radios.

But nothing in his subsequent career or ebullient personality smacks of the cautious corporate yes-man who succeeds by obediently toeing the company line. Now 44, Mr. Elsbury owes his rise through the ranks to a position only a notch below that of Racal's chairman, Mr. Ernie Harrison, to a combination of energy, quick wits and dogged hard work.

Singled out as a young "flyer" by Mr. Harrison, Mr. Elsbury has enjoyed rapid promotion, rarely staying in the same job for more than two years. In less than 10 years he became production manager of Racal; in 1970 he was named general managed of Racal-Mobilcal and, in 1974, its managing director.

A directorship of Racal Electronics, parent company of the Racal Group, followed in 1975; in 1977 he was made its deputy managing director and chairman of both Racal Tacticom and Racal Communications.

In spite of his reputation as a hard-driving executive in a relentlessly competitive industry, Mr. Elsbury has succeeded without having to resort to ruthless corporate in-fighting. This was no doubt made easier by the rapid expansion of Racal itself, which provided plenty of opportunities for ambitious young men, and to the "family" atmosphere carefully cultivated by Mr. Harrison. The company prides itself on the fact that its employees are encouraged to mix informally out of working hours.

Mr. Elsbury clearly enjoys the fruits of success. A dapper dresser who drives a Rolls-Royce, he lives with his wife and two children in an old house set in several acres of grounds near the Thames in Berkshire.

A keen photographer and gardener, with an interest in natural history, he also enjoys an occasional game of squash. "But when he plays, he usually wins," says a colleague.

Not that Mr. Elsbury seems to have much time for leisure these days. He is usually at his desk by about 8 am and often has evening appointments, either in London or at Racal's headquarters near Reading. And few of his weekends are completely free of work.

David C. Elsbury, new chairman and chief executive of Racal Decca: OBE for services to exports

As a director of a major exporting company with customers in 130 countries, he spends much of his time travelling abroad, chiefly to the Middle East, the U.S., Asia and Australia. Last year he was awarded the OBE for services to exports. S ofar this year, he has made more than half a dozen foreig ntrips, each of a week or more.

His track-record so far must mark him out as a front-runner to succeed Mr. Harrison, now 54, when he eventually decides to relinquish the chairmanship of Racal. But yesterday, David Elsbury was not available for comment on this or any other matter. Typically, on the day that his new appointment was announced, he was on a business trip to an unidentiefid foreign country.

# Miners' meeting

By Our Labour Staff

MINRES' representatives from the 36 pits in South Wales will consider recommendations being drawn up by the area executive of the National Union of Mineworkers to fight the National Coal Board's pit closure plans at a special conference today.

The conference, in Bridgend, follows a meeting yesterday between the leaders of 27,000 South Wales miners and Mr. Joe Gormley, NUM president.

The NCB says that six loss-making pits, employing 4,000 men should be closed this year. It has said a further six pits, employing another 4,000 workers, have an uncertain future

# How motorists can save £40 a year

By Martin Dickson

MOST DRIVERS could cut their petrol consumption by at least 10 per cent, a saving of £40 a year to the average motorist, according to a Department of Energy leaflet.

The leaflet, "Making the most of your petrol," points out that every 100 lb of car weight needs an extra 10 gallons a year, that a poorly serviced car can increase consumption by 20 per cent, and that economical driving can also save 20 per cent.

# £17m court award to BP is challenged

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

MR. NELSON BUNKER HUNT challenged in the Court of Appeal yesterday a £17m award made to BP Exploration (Libya) by the High Court last year.

He said that because of the terms of the contract under which he and BP exploited a highly profitable Libyan oil concession no award should have been made against him. BP cross-appealed for a substantial increase in the award.

The dispute arose ofter the Libyan Government nationalised the oil field. BP said the contract had been frustrated by nationalisation and that part of the oil Mr. Hunt had received from the venture represented an unjust enrichment out of an operation carried out and financed by BP.

Mr. Peter Curry, QC, for Mr. Hunt, told the Appeal Court that in 1960 BP had joined Mr. Hunt in the exploitation of a concession he had obtained in the vast Sarir field in Libya three years earlier.

In return for a half share in the concession BP undertook to finance the exploitation and development of the oilfield and to operate it. It was to recoup its outlay from the field's production.

Part of the agreement was that, although getting a share of the oil, Mr. Hunt would incur no personal financial liability in the venture.

The venture proved to be hugely profitable for both sides for five years. Then the Libyan Government nationalised first BP's and later Mr. Hunt's interest.

By that time BP had recouped £18m of the £30.8m it had spent on exploitation and development. It said it could recover the balance from Mr. Hunt.

In the High Court BP made a claim under the 1943 Law Reform (Frustrated Contracts) Act, which gives the court power to award a "just sum" to the party whose performance of the contract had provided the other party with a valuable benefit.

BP said Mr. Hunt had received such a benefit, which had included BP's services in the venture, the advance by the company of Mr. Hunt's share of the expenditure and the limitation of his liability.

The claim succeeded, Mr. Justice Robert Goff awarding BP $15,575,823 plus £8,922,060.

Mr. Curry said that because of the provision in the contract that Mr. Hunt would incur no personal liability, no award should have been made against him.

The hearing, which is expected to last up to a month, continues today.

# New threat to road repairs

GOVERNMENT CASH limits on local authorities could force a further cut of 7 to 8 per cent in road maintenance if inflation continues at more than 20 per cent, the British Road Federation has said.

Mr. Tony de Boer, chairman of the federation said in London: "This hidden squeeze must put crippling pressures on local authorities and I do not believe that road maintenance can escape."

# Ritz holds rates for 8 months

FOLLOWING international criticism of over-priced London hotels, the Ritz Hotel has guaranteed to hold its present room rates for a further eight months.

Its present rates, which have remained unchanged since mid-1979, start at £40 a night for a single room with private bath and £70 for a double. The Ritz, now undergoing a £6m refit, believes these rates are the best value it has offered since the hotel was founded in 1906.

## Lea road call

A PROPOSAL not to build part of the M25 orbital motorway in North-East London, but to combine it with the Lea Valley motorway 20 miles away, is expected to be made in the High Court today. Mr. Barry Fineberg, a Hackney Borough Council planning officer, said the GLC could save £1bn with a lea Valley road. An appeal is being made against a compulsory purchase order in the Green Belt for the M25 plan.

## Microchip chair

DR. JOHN MAVOR, Reader in electronic engineering at Edinburgh University, is to become the UK's first professor of microelectronics at Edinburgh. The new chair is endowed by Lothian Regional Council with an annual grant of £50,000 for five years.

## Dyers to close

A SPECIALIST dyeing works at Radcliffe, Greater Manchester, will close later this year with loss of 130 jobs. The Whitecroft group plans to close the A. T. Bealey dyeing mill because of operating losses and a deteriorating trading position.

# Workless fears face Coventry

A SUGGESTION that Coventry, with its dependence on the motor industry, may be heading for record post-war unemployment, is in the latest survey of the local economy by the city council.

Mr. Arnold Morton, the City Treasurer, says that unemployment is set to rise "very fast" in the second half of the year. "It seems only too probable that in the next year or so it will exceed the local post-war peak of 16,732 reached in August 1976."

## Talbot prices up

The price of most Talbot cars was raised yesterday by an average of 4.2 per cent. The prices of the Solara, a medium-sized saloon launched in the UK last month, the Ti and the Lotus are unchanged.

Examples of new prices (including car tax and VAT) are Sunbeam LS 1.0 £3,259.10 (£3,109.60), up 4.8 per cent; Avenger LS 1.6 4-door £3,850.86 (£3,675.20); Horizon GL 1.3 £4,399.03 (£4,198.45); Alpine GLS 1.5 £5,803.08 (£5,607.49).

## Footwear gloom

SHORT-TERM PROSPECTS for the footwear industry are bleak, with competition in home and overseas markets intensifying, a report on the sector by Inter Company Comparisons states. It covers 60 leading companies with sales of £1bn, and says that the three years up to 1978-79 were fairly profitable. Gloom on more recent prospects is due to sterling's high value.

## Channel boost

BRITTANY FERRIES has chartered the Italian motor vessel Faraday, 2,932 tons, from next week to meet growing roll-on roll-off freight traffic on the Portsmouth-St. Malo route.

## Short time

THE 60 workers at British Springs factory on the Stanmore Industrial Estate, Bridgnorth, Salop, have been put on a three-day week. A fall in export orders and political problems amroad are blamed.

# Farmers likely to need special aid, says report

BY RICHARD MOONEY

DECLINING returns over the coming year could drive British farmers from the land in increasing numbers unless special Government aid is provided, according to the latest issue of Lloyds Bank's monthly economic bulletin, published today.

Mr. Christopher Johnson, the bank's economic adviser, says that even after the 5 per cent price rise agreed in Brussels and allowing for the effects of improvements in Britain's agricultural exchange rate, UK farmers' incomes are likely to fall by more than 20 per cent in real terms this year.

Prices for British farm produce are likely to rise by about 10 per cent, reflecting the 5 per cent rise in EEC prices and cumulative Green Pound devaluations of 11 per cent between last July and this August. The Green Pound is the artificial exchange rate at which Common Market support prices are translated into sterling.

But Mr. Johnson warns that a rise of at least 17 per cent in the cost of non-agricultural inputs (in line with the general inflation rate) will keep the rise in the added value of UK agriculture down to about 7.5 per cent.

Farmers will also suffer from much higher labour costs, reduced public expenditure and heavy interest charges, he said. Even allowing for an expected reduction in minimum lending rate to 11 per cent by the end of the year interest payments by farmers are likely to amount to about £500m—two-and-a-half times the 1978 level.

Against this background the only way farmers can maintain their incomes is by increasing yields, Mr. Johnson says. But this might cause prices to weaken and, in any case, the scope for further yield increases seems limited following two bumper crop years.

There should be scope for an efficient UK agricultural sector to win a larger share of its own market and to increase exports, but this is a longer term prospect.

A weakening of sterling against the European Currency Unit, in which farm prices are expressed, remains the best hope for British agriculture, he says. This would allow the Green Pound rate to be devalued.

There could be a devaluation of sterling if Britain joins the European Monetary System as a full member, Mr. Johnson says.

# UK NEWS

## Nuclear risks 'very small'

BY RHYS DAVID

THE DANGERS associated with nuclear power were smaller than those in many other areas of life, Mr. Norman Lamont, a Minister at the Energy Department, said yesterday.

He told a Rotary Club conference on nuclear power in Manchester that normal life would not be possible unless people were realistic about very small risks.

A large coal-fired electricity station could generate 20 lb of solid waste a second and coal wastes contained at least a dozen toxic metals, including small quantities of arsenic.

"By comparison, the high-level wastes produced in one year by a nuclear power station, when suitably treated, amount to only a few cubic metres."

After 25 years of nuclear power generation in the UK, the waste products from used fuel rods would fill little more space than a four-bedroom house.

Radioactvity was a manageable problem. The highly-radioactive wastes decayed rapidly. After 10 years, the level was only a fraction of its initial value. Longer-lived wastes took more time to decay, but were much less radioactive.

The technology for conditioning nuclear fuel waste, so it could be stored as a glass solid, was well advanced.

Mr. Lamont said the Government expected Britain to be a major net energy importer by 2000, after the rundown of oil supplies. Nuclear power would then be contributing 40 gigawatts (40,000 megawatts) to the national supply, or roughly one third of requirements, if the nuclear building programme went ahead on schedule.

This was far from being a crash programme, as nuclear opponents suggested, and would leave Britain markedly less committed to nuclear power than some other nations—notably France and Japan—by the late 1980s.

Savings would make an important contribution to overall demand

## Government plans agency to monitor NHS efficiency

BY ROBIN PAULEY

THE Government plans to set up an agency to monitor the quality and efficiency of the National Health Service, Mr. Patrick Jenkin, Secretary of State for Social Services, said yesterday.

The agency, to be set up on an experimental basis, will also be responsible for advising on ways to improve services within the NHS which spends £8bn a year and is Europe's largest employer.

Mr. Jenkin told the Institute of Health Service Administrators that the idea was contained in "Patients First," the Government's consultation paper on reform of the NHS. As a result of reaction to the idea he hoped it would be introduced as an experiment. Such a body might also advise on the development of services at the district level, he said.

Mr. Jenkin added that another attractive idea in the 3,000 comments on the Government's proposals which he had received was that health authorities should be required to publish annual reports setting out what they have been doing and how they have looked after the health of the populations they serve.

He also emphasised that the consultation paper was never intended to be a document about health policy and health priorities. Mr. Jenkin will make a statement on these in a separate paper in the autumn which would be the time to judge whether or not adequate attention was being paid to prevention, health education, comm tion, health education, community care and the so-called "Cinderella" services.

Mr. Jenkin said that the last NHS reorganisation in 1974 placed too great a priority on common boundaries for health authorities and local authorities. This meant that the advantages of better collaboration were bought at too high a price in terms of an over-elaborate management structure for the health service.

On the incentive to collaborate, however, Mr. Jenkin said he supported the system of joint financing even though some local authorities viewed it with mixed feelings.

The Government's basic conclusion on the 1974 reforms was that the district concept of health services was broadly right, but that to involve health authority members in planning and management of services on a multi-district basis was wrong.

The responsibilities on members in such areas were too widespread and complex for them to be properly accountable. Management arrangements had become far too cumbersome in the present system for it to be possible to try to achieve proper accountability.

## Credit card-style passport plan

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

AIR TRAVELLERS of the future may find themselves using a new style of passport, rather like a credit card in size and shape, which would be "machine-readable," under proposals put forward by the International Civil Aviation Organisation.

The organisation is promoting the development as part of the effort to speed the flow of passengers at increasingly busy international airports.

As air travel expands in the 1980s, the introduction of a type of passport which can be instantly scrutinised by machine is considered essential.

The proposed travel document could be issued as a separate card, or included in a booklet for endorsements. It would contain a series of code numbers and markings giving standard passport information, but in a way which could be instantly checked by a computer.

At busy international airports, the passport would be used with machines and associated computer equipment. The document would have enough information to enable it to be read visually, but more rapidly than usual because of its simplicity and clarity.

As an additional time-saver, the MRP, as the proposed passport is called, might even do away with embarkation and disembarkation cards.

"But the proposed travel document is not a magic wand that will whisk the holder through immigration control points in no time at all," says the aviation organisation. It will, however, reduce the time spent by officials now having to inspect several pages of the conventional passports.

The organisation recognised, in the late 1960s, the ned for new techniques to speed the flow of travellers through governmental clearance controls at airports.

A study group set up by the organisation has now produced a set of specifications for a new MRP, and the organisation is actively soliciting the support of member-governments for its universal introduction.

So far, however, the attitude of member-countries, of which there are more than 100, is lukewarm. One problem is that many countries still require visas, which would make the MRP a bulky document, as many current passports are, and thus difficult to handle by machine.

## Small firms in Ulster still buoyant

By Our Belfast Correspondent

THE SMALL firms sector of Northern Ireland industry has continued to be reasonably buoyant in spite of pessimism about its prospects, Mr. Colin Anderson, chairman of the province's Local Enterprise Development Unit, said yesterday.

The unit, which is the Government's small firms agency in the province, promoted 1,300 jobs in the year to March 31 — a quarter of which came from second or third stage expansions of existing companies.

The cost per job fell from £4,179 to £3,521, partly because of the Government's policy of seeking more funding from the private sector.

Mr. Anderson said that at the end of 1979 the agency was "slightly unhappy" about the low level of inquiries for aid but the start of 1980 had seen an encouraging upturn.

Since the unit was set up in 1971 it has promoted more than 10,000 jobs at a cost of around £24m. The actual number of jobs in existence at March 1979 was 5,564—against 8,799 promoted — the balance being accounted for by cuts and closures. The figures give the agency an overall success rate of 63 per cent.

## Government paper seeks continued talks in Ulster

BY STEWART DALBY

THE long-awaited Government White or Green Paper on political devolution in Northern Ireland is thought to have passed through the special Cabinet committee headed by Mr. William Whitelaw, the Home Secretary, and to be ready for consideration by Mrs. Thatcher and the full Cabinet.

When the paper emerges—probably during the week June 12 to 20—it is likely to be a consultative document laying the ground for further talks between the main political parties in the province.

It had been thought that Mr. Humphrey Atkins, Secretary of State for Northern Ireland, and officials of the Northern Ireland Office wanted to present a blueprint for elections to an assembly with a cabinet or executive on the basis of majority rule. This would have excluded power sharing with the representatives of the Roman Catholic minority. Instead their interests would have been safeguarded by weighted majorities in an assembly.

Mr. Whitelaw, a former Northern Ireland Secretary, is thought to have opposed the plan on the grounds that it was doomed to failure because Mr. John Hume, leader of the Social Democratic and Labour Party, would be unable to accept anything less than power sharing at an executive level.

Mr. Whitelaw, one of the principal architects of the short-lived power sharing executive of 1974, is thought to believe that as there will be time for only one initiative during this Parliament's lifetime it is better to keep the politicians talking and impose a solution later if nothing comes of the talks.

Mrs. Thatcher could, of course, always reverse Mr. Whitelaw's feelings, but it seems that for the moment Mr. Atkins has been overruled by the special committee which, as well as Mr. Whitelaw, includes Mr. Francis Pym, Defence Secretary, Lord Hailsham, the Lord Chancellor and Sir Ian Gilmour, Deputy Foreign Secretary.

## Concern about offshore oil deaths

By Maurice Samuelson

LORD RITCHIE-CALDER, chairman of the Advisory Committee on Oil Pollution of the Sea, has expressed concern about increasing deaths in the offshore oil industry.

In an intorduction to the committee's latest annual report he says last year the loss of life associated with oil production and transportation was much worse than in previous years.

More than 300 people died in tanker accidents throughout the world — doubling the number of casualties in 1978. The rate continued into this year with the 10 Olives lost when the North Sea accommodation rig Alexander Keilland capsized in the Ekofisk field.

A record quantity of oil had also been spilled last year, mainly as a result of the Ixtoc I well blowout in the Gulf of Mexico in which 140m gallons of oil were lost — the largest spillage in history.

There had been a high number of minor incidents around the UK. About 568 spillages of oil were reported, compared with 507 in 1978.

But the committee says it is "encouraged" that some of its long-term policies are becoming effective, both nationally and internationally. It particularly welcomed moves by the EEC to encourage compliance with standards set by the Inter-governmental Maritime Consultative Organisation.

Founded in 1952, the committee is a non-statutory body. Its members include all the local authority associations, the sea fisheries committees, shipping and port authority associations, wildlife protection organisations and representatives of amenity bodies and the tourist industry.

Mr. James Callaghan, the Labour leader, is its president.

## Directors' leader opposes EEC works councils

BY RAY PERMAN, SCOTTISH CORRESPONDENT

COMPANY DIRECTORS should start a campaign against EEC proposals on works councils which would amount to a re-run of the Bullock recommendations on industrial democracy, Mr. Walter Goldsmith, director-general of the Institute of Directors, said in Glasgow yesterday.

The EEC's fifth directive on company structure, being considered by the legal affairs committee of the European Parliament, may require British companies to adopt a two-tier board system with a supervisory board of whom a third are employee-directors, or to set up works councils.

"With unemployment showing a steady rise, companies need the maximum flexibility and speed of response to changing conditions if productivity is to be boosted and jobs saved," Mr. Goldsmith said.

"But there is a serious danger that they will find their hands tied by a set of representative institutions conceived in the late 1960s, in an era of stable corporatism, and totally unresponsive to the more fluid and difficult conditions of the 1980s."

## Retaliation warning on import controls

By David Marsh

BRITAIN WOULD inevitably face retaliation from other countries if it resorted to general import controls to resolve its industrial problems, says Dr. Harald Malmgren, a former U.S. chief trade negotiator.

In a lecture at the Trade Policy Research Centre yesterday Mr. Malmgren, who held his office during President Gerald Ford's administration, said to attack the problems of industrial structure through trade measures was to attack symptoms rather than causes.

A policy of general import controls has been suggested by the Cambridge Economic Policy Group under Mr. Wynne Godley, the former Treasury chief adviser. It has recently attracted increasing support as industry comes under pressure from the recession and the strong pound.

A critical element in the argument for general import controls was that the rest of the world would understand and tolerate Britain's special position, Dr Malgram said.

Such action would break international obligations and "other government would have to suppress all those interest groups of their own whose trade would be adversely affected," for it to work. Retaliatory measures would be inevitable.

This could not happen. Britain's trade problems, weak capital investment and inflation were not unique.

Dr Malmgren attacked the suggestion that the UK should adopt selective import controls to prop up specific industries. He said this usually helped inefficient enterprises remain viably, but rarely brought about changes in management and an increase in the pase of capital modernisation.

## Concorde wins supersonic route over Saudi Arabia

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

A NEW supersonic corridor for British Airways' and Singapore Airlines' Concorde flights across Saudi Arabia, which becomes effective for an experimental period today, is expected to cut up to 50 minutes off flight times between London and Bahrain.

The corridor has been agreed after extensive discussions with the Saudi Arabian Government, and will last for four weeks, or longer if there are no significant complaints about noise.

Concorde flights between London and Bahrain have until recently flown supersonically across Lebanon, but permission was withdrawn some weeks ago, because of noise, and Concorde has since had to cross that country subsonically.

The alternative route across Saudi Arabia was permitted for a brief period, but then withdrawn. Suggestions that this was due to Saudi anger at the TV film "Death of a Princess" were denied in London and Riyadh.

The official reason given was complaints about noise. The route has now been changed to avoid built-up areas.

The new supersonic route covers part of Egypt, down the Red Sea to Wejh on the coast of Saudi Arabia, and then east to Bahrain across Saudi Arabia.

It will cut the flight time between London and Bahrain by 50 minutes to about 4 hours 20 minutes.

The subsonic flight across Lebanon not only lengthened the flight time but also meant fewer passengers because of the need to carry more fuel. These problems are now removed, and Concorde should be able to carry bigger loads into and out of Bahrain en route to and from Singapore.

The two airlines jointly run three flights each way weekly between London and Singapore, via Bahrain.

## Finniston support qualified

By Maurice Samuelson

THE LATEST qualified support for a statutory engineering authority has come from the Machine Tool Trades Association

In its response to the Finniston report, the association says the authority must be independent of Government intervention.

It says the Engineering Industry Training Board has the necessary expertise and could provide a blueprint for monitoring the training of professional engineers.

The association criticises the Finniston team for allegedly failing to recognise "the unique industrial co-ordinating role" developed by the training board and the associated Engineering Careers Information Service.

It proposes a continuing role for the professional institutions in the accreditation and registration of engineers. Statutory registration should be obtainable through membership of the institutions.

## Stalin autograph fetches same sum as Borgia's

SALEROOM

BY ANTONY THORNCROFT

ON THE second day of the dispersal of Ray Rawlins' unequalled collection of autographs at Sotheby's yesterday, a rare signature of Stalin and other Russian and British leaders taken at the Potsdam Conference in 1945 sold for £4,000, about six times the forecast. The same sum secured a document signed by Lucretia Borgia when she was 14 years old.

Dr. Martin, a private collector, paid £1,000 for a document signed by Marie Antoinette and the same price for a document signed by Robespierre and other members of the Committee of Public Safety.

Given that it appeals almost exclusively to British collectors, Sotheby's auction of English pottery did quite well to make £45,760 with 13.4 per cent bought in. A rare Brislington charger of Queen Mary dated about 1690 sold for £2,100 and a Wedgwood blue jasper necklace made £1,700.

At Christie's yesterday, a Kakiemon oviform jar and cover with a crack and extensive repairs sold for £11,000 in a Japanese works of art auction which totalled £150,480. The jar was originally taken to Christie's South Kensington saleroom because it was not considered to be worth much, but in fact it is rare and dates from about 1680.

## Porterage costs raised again

PORTERAGE charges on the Mersey—a fee for moving cargoes from ship to shore transport—are to be raised for the second time in four months, without the agreement of the port users. They are being increased by 17 per cent after a 20 per cent rise in February.



## Little cause for optimism at Perkins

PERKINS' announcement yesterday that short time working is to be introduced at Peterborough comes as no surprise to anybody who has been following the fortunes of the tractor business, particularly in North America.

While the slump in tractor sales is the immediate cause of Perkins' problems, however, the longer outlook for the UK diesel engine industry, and for Perkins in particular, gives little cause for optimism.

Perkins produced 200,800 engines from its three Peterborough factories last year, and 118,171 engine kits which are mostly shipped for assembly by its licensees in developing countries. Sales totalled £348m, but no profit figure is available as the results are consolidated into its parent company, Massey Ferguson of Canada. As much as 40 per cent of Perkins' output goes to Massey factories in the UK and the U.S. which are making agricultural equipment, mostly tractors.

The North American market takes about 45,000 of Perkins' built-up engines, some to Massey factories, but also to other customers. Until recently about half of this North American requirement was being met by Massey's plant in Canton, Ohio. It was closed down last year because of mounting losses, and production was transferred to the UK. Massey had hoped to sell the Ohio plant to International Harvester but this deal appears to have fallen through.

Tractor demand in North America has been badly hit this year by a variety of factors, which have caused cuts in production at Massey, International Harvester and John Deere. Last week Massey said it would close all its tractor plants in North America for three months in the summer instead of the usual one month. The market for tractors in the UK has also slumped this year, although Massey has not so far announced any cuts at its UK factories.

The situation in the agricultural equipment market is being compounded as far as Perkins is concerned by the fact that many of its other customers in the business of making construction equipment and lift trucks are also feeling the effects of recession.

The outlook for the construction equipment sector in particular is gloomy, with capacity worldwide far exceeding demand. At the same time, Perkins has been finding it increasingly difficult to compete in international markets because of the rate of inflation in the UK coupled with the strength of sterling.

There has been growing evidence that in markets such as Germany, Perkins' prices have been getting out of line with those of other European manufacturers.

Perkins' dependence on the agricultural and industrial equipment sectors looks increasingly like a weakness in this important sector of engineering. Only about 25 per cent of Perkins' third-party sales—those not to Massey—go to the automotive sector. Although truck sales this year will be considerably down on last, this is undoubtedly the sector which has the best growth prospects.

Perkins' reputation worldwide as a supplier of small to medium-sized diesel engines is second to none, but there is concern that it does not have the resources to innovate along the lines of its major competitors. This could prove to be a particular drawback in the automotive field, where most of Perkins' competitors are working on a diesel engine for application in cars and vans.

Perkins has announced its intention to mount a similar project, but has not yet found a motor manufacturer with whom to share the eventual tooling up costs.

Perkins is one of the world's largest manufacturers of diesel engines, and is a significant contributor to the UK's exports. As much as 86 per cent of its production is exported, as built-up engines or in kit form, and as a component in the export of finished products.

Its customer list is huge, and includes most of the main manufacturers of agricultural and industrial equipment as well as Massey-Ferguson. But the problems of those customers, which are more extensive than the current economic recession, and the fact that Perkins' parent company is still fighting for survival, combine to raise questions about Perkins which go beyond the present crisis.

# UK NEWS

## £20,000 top prize sought for lotteries

BY JAMES McDONALD

THE LOTTERIES Council, formed last year to promote the respectable image of lotteries, is to ask the Home Secretary to raise the existing weekly top prize limit of £1,000 to a maximum £20,000 to revive flagging interest.

It has also drawn up a code of conduct, launched in London yesterday by Sir Graham Page, MP, the council's chairman.

He warned that sport, charitable and cultural activities faced a bleak future in the 1980s unless funds generated from lotteries were allowed to increase. "This will happen only if the Home Secretary sets attractive prize limits which capture and maintain the public's interest."

Sir Graham was speaking in the Guildhall, near the site of the last draw for a State lottery in 1826 when the first prize was £20,000, equivalent to about £300,000 now. He said the present £1,000 limit had been set in 1974. Inflation had made this increasingly uninteresting.

Lotteries organised on behalf of local authorities, sports and charitable organisations produced ticket sales in 1978-79 of almost £90m. This fell to £65.9m in 1979-80, while the money retained by local authorities and societies fell from £34.9m to £24.6m.

The council believes ticket sales could increase to £200m a year if prizes up to £20,000 were offered. "This would mean that over £80m would be injected into sporting, cultural and voluntary organisations."

Mr. Jimmy Hill, chairman of Coventry City Football Club, said that 90 per cent of clubs in the Football League could not succeed if it were not for lotteries and other fund-raising schemes.

Sir Graham said the code has been created because although lotteries are controlled by the 1976 Lotteries and Amusement Act, it was felt that certain areas of operation needed clarifying

## The way the music died

The BBC plans to axe five of its eleven orchestras as part of its scheme to reduce costs, and 172 musicians have received redundancy notices. They have responded by going on strike and picketing Broadcasting House in London. Lisa Wood reports on the BBC's claim that it has more light music than it needs, and the players' claim that they have less money than they need.

COLIN BRADBURY, principal clarinet player with the BBC's most notable orchestra, is prepared to spend this summer on a picket line instead of taking a leading role in the promenade concerts at London's Royal Albert Hall.

The strike action being taken against the BBC by musicians like Colin Bradbury is almost unbelievable to the men and women themselves, who have lived by the maxim that the show must go on.

The musicians have been brought together in opposition to the corporation's plans to axe five of its 11 orchestras as part of a two-year economy plan to save £130m. Redundancy notices have been served to 172 members of the five house orchestras which are due to be disbanded by August. Abolishing the orchestras will save £1.5m, of which £1m, the BBC says, will support musicians outside house orchestras.

The BBC argues that it no longer needs 11 house orchestras, and says: "The regional light orchestras are recording *seven sessions a week and* we do not need this amount of music of that type.

### Patron

"The BBC intends to remain a patron of music, but it has to offer listeners the best value for the licence fee they pay."

The 41,000-strong Musician's Union, argues that the cuts illustrate the BBC management's lack of ability and enthusiasm for supporting creative musical work. "They want to leave the responsibility for producing the music that the majority of listeners want to hear to the record industry," said Mr. Stan Hibbert, assistant general secretary.

"The present management is digging the grave of public service broadcasting. If they make cuts how do they persuade politicians to raise licence fees?"

It is this alleged attack on creative musical work which has stirred players such as Colin Bradbury into strike action. A member of the BBC Symphony Orchestra for 20 years, he believes that the whole concept of public service broadcasting is being changed and that the BBC will not stop at just five orchestras. Instead of originating music and perhaps changing the style of some of its orchestras, he says the BBC's management is prepared to tolerate "juke box radio."

Many musicians in orchestras do gramophone recording sessions—at up to £32 for three hours—to supplement their earnings. Basic rates for rank and file orchestra members are not high and players need considerable amounts of freelance work.

Principal players in the BBC Symphony Orchestra negotiate their own salaries but these are unlikely to be above £10,000 a year. Colin Bradbury said: "My salary is not comparable with those paid to equivalent people in industry, for example."

Mr. Bradbury is professor of the clarinet at the Royal College of Music and does freelance work when he has the time. "Freelance work is for the money," he said. "It pays nearly twice as much as similar time spent at the BBC."

Players in the BBC Symphony Orchestra receive a basic annual salary of £6,692 (1979 rates) and those in the BBC Concert Orchestra £5,491. Contracts allow musicians to perform outside the BBC as long as the work is not for commercial radio or television.

Mr. Bradbury said: "The BBC Symphony Orchestra has always found it difficult to find rank and file players. It looks a very reasonable job but the money is not very good and with regulated work one is tied down. Neither is there a lot of freelance work available; recording studios, faced with falling record sales, have cut down recently on recording sessions.

Members of other London orchestras, like the London Symphony Orchestra, are self-employed. LSO members *become shareholders in a co-*operative, which is a private company and charity, and are offered engagements for a fee determined by the Musicians' Union.

A basic concert fee is about £30 and a player could earn, in a good week, up to £200, but would have to work long hours. Mr. Bruce Campbell, the LSO's accountant, said: "A good player could earn up to £10,000 a year, but would have to do more than 1,500 hours of concentrated playing."

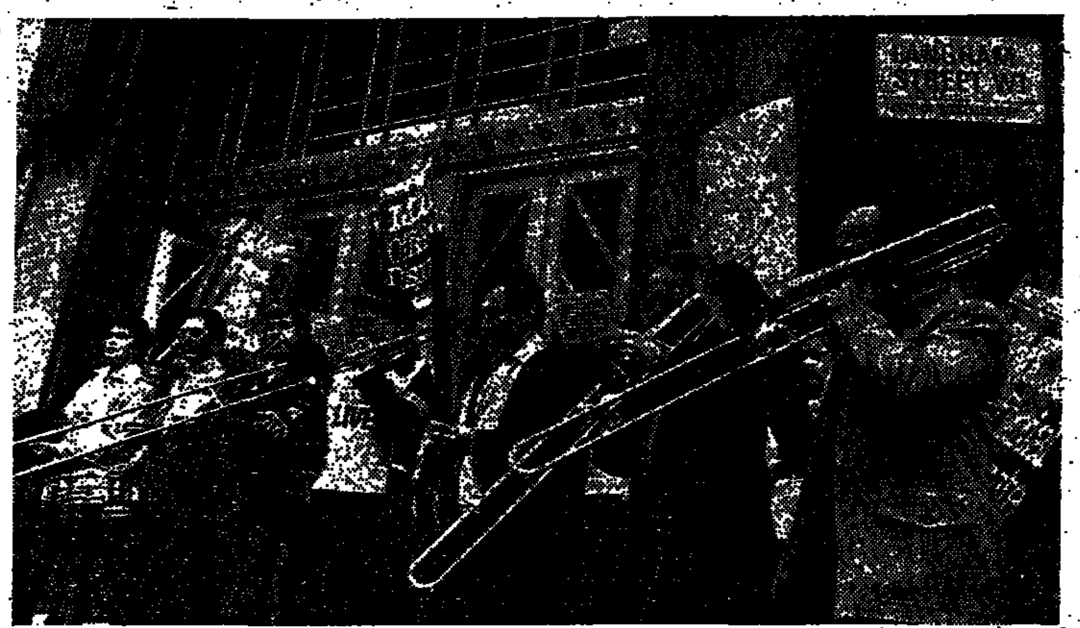
But the 85 full members of the orchestra, like self-employed musicians with London's three other major orchestras, do not receive a pension. Costs of instruments can be high—up to £20,000 for a fine old violin—and there is no guarantee of work.

Musicians in the five regional *symphony orchestras*, which are supported by local authority and Arts Council grants, do not fare as well. At the City of Birmingham Symphony Orchestra rank-and-file string players receive £90, sub-principal players £95 and principal players £101 for a 40-hour week.

Mr. Edward Smith, the CBSO's general manager, said: "Musicians' contracts do allow outside work. Some players teach but this is difficult because of the odd and unsociable hours they keep. Musicians at the CBSO do not earn a large salary and they have many hidden costs to meet, such as concert dress, which can cost over £100, and the maintenance of instruments.

"We are very worried about rates of pay. In other countries an artist can earn three times as much money for a concert. But people from abroad continue to perform in this country because our standards of music are so high."

It is these standards which some believe are under attack with the BBC's plan to do away with its five orchestras.



Strike up the music: Members of the Musicians' Union, on strike in protest at BBC plans to cut the number of its orchestras, put on a tuneful demonstration outside Broadcasting House in London.



APPOINTMENTS

## Chairman change at Save & Prosper

Mr. David Maitland, deputy chairman and managing director of SAVE AND PROSPER GROUP, is to take over as chairman after the annual meeting on June 25. He will succeed Sir Andrew Carnwath, who is to retire having reached the age of 70. At the same time, Sir Clement Penruddock and Sir Dennis Pilcher will also retire from the Board. Mr. Maitland will continue as managing director jointly with Mr. Cholmeley Messer, the present deputy managing director. When Mr. Messer ceases to be chairman of the Unit Trust Association in 1981 he will become full managing director of Save and Prosper.

★

Mr. N. A. T. Marsh has been appointed to the Board of TOMKINSONS CARPETS. In addition to his position as managing director of Steeles, he will be responsible to Mr. L. D. Maclean, group chief executive, for the marketing of contract products.

★

Mr. David Burditt has been appointed to the Boards of GULLIVER FOODS and LOUIS C. EDWARDS AND SONS (MANCHESTER). Mr. Burditt will be the director responsible for food manufacturing.

★

Mr. Cyril Clifford has been appointed company secretary of EUROPEAN FERRIES to succeed Mr. Edward Overington, who is retiring.

★

Mr. Greville MacGillivray has been appointed to the Board of the ARAB LATIN AMERICAN BANK (Arlabank) to be its senior representative in London. Mr. MacGillivray retired recently from the Bank of England as deputy chief of the overseas department.

★

SCHRODER LIFE GROUP has appointed Mr. Malcolm Taylor as a director and joint actuary of Schroder Life Assurance and of Schroder Pensions.

★

Sir Frederic Bolton has been appointed a member of the DOVER HARBOUR BOARD following the retirement of Mr. David McKenna. A further appointment to the Board is Mr. J. A. Lawton, who becomes a Minister's appointee after serving as an elected member since September 1978. He is now deputy chairman.

★

Mr. Philip J. S. Gray has been appointed to the Board of G.T. MANAGEMENT (UK).

★

Mr. Paul Brooks, at present assistant general manager and company secretary, has been appointed as a second deputy general manager at the TSB TRUST COMPANY. Mr. Roger Heydon will remain as deputy general manager and will act as general manager during Mr. Brian Brown's absence. Mr. Brooks will now be responsible for finance and investment, data processing and insurance, and actuarial with Mr. Heydon in charge of business development, insurance services and management services.

★

Mr. David Russell has been appointed a director and chief executive of the JOINT CREDIT CARD COMPANY, the central service company of the Access Credit Card scheme. Mr. Russell, previously deputy chief executive, is from National Westminster Bank and succeeds Mr. George Gilhespy who returns to Midland Bank as a general manager. Mr. Peter Constable, from Lloyds Bank, has become a director and deputy chief executive of Joint Credit Card.

★

Mr. Anthony D. J. Carratu, Mr. David W. Gravell, Mr. Herbert L. Farrimond and Mr. Jeremy Weston have been appointed part-time members of the BRITISH WATERWAYS BOARD for two years.

★

Mr. Michael W. Craddock has been appointed director of marketing of UNIROYAL ENGLEBERT TYRES. He succeeds Mr. Adrian Silenzi, who has retired as marketing director and general sales manager but remains a non-executive director.

★

*Mr. Robert G. W. Lambert* has been appointed by BANCO DI NAPOLI as its representative in Switzerland. He was previously European representative of Barclays, resident in Zurich.

★

Mr. Hans Locher, deputy director general of Zellweger Uster, Switzerland, has been voted president-elect of the TEXTILE INSTITUTE. He will become president in May, 1981, following Mr. J. Alan Clough, chairman of British Mohair Spinners.

★

Mr. Barry Maughan has been made managing director of SEPKARN and Mr. Bob Burberry becomes sales director. Mr. David Winders has been appointed finance director. The company is now a wholly-owned subsidiary of the Negretti and Zambra group.

★

Mr. Tom Starr has been appointed managing director of BOWTHORPE EMP, a member of the Bowthorpe Holdings Group. He was previously marketing director.

★

Mr. N. G. Daniels, of Jewson Scaffolding, has been elected president of the NATIONAL ASSOCIATION OF SCAFFOLDING CONTRACTORS for 1980-1981. Mr. D. G. Flood is the new senior vice-president, Mr. L. T. Humphrey, junior vice-president, and Mr. W. D. Orwin, honorary treasurer. Mr. C. F. Kendall, of Western Gear (UK), has become chairman of the Suspended Access Equipment Manufacturers Association. Mr. Frank Jewson is the new vice-chairman of that association.

# Third health group to join pay fight

BY PAULINE CLARK, LABOUR STAFF

HOSPITAL CLERKS and administrators are threatening today to become the third major health service group to resist imposition of a 14 per cent ceiling on pay.

Union leaders of the 50,000 group made clear yesterday that they were ready to join the 490,000 nurses and midwives and 37,000 paramedical professional staff in a battle over pay hwich has been exacerbated by the 18.7 per cent award to doctors and dentists.

The National and Local Government Officers Association and the National Union of Public Employees are among the leading unions who are expecting a head on clash over pay for the administrative group in pay negotiations today.

The unions are angry at what they claim are Government attempts to break a 20-year link with pay to certain grades of civil servants who have received increases of around 17 per cent this year.

Miss Ada Maddocks, NALGO national officer, said yesterday that the unions were determined to maintain the link which in the past had been accepted without problems.

Hospital administrators and clerical workers last took industrial action in 1974 as part of the protest movement which led to the setting up of the Halsbury pay review.

They include a variety of hospital staff responsible for the smooth running of the service, ranging from secretaries and medical records staff to regional health administrators. In the past the senior group has followed the pay recommendations of the Boyle review body on top salaries for civil servants.

The management is expected to argue today that the recent comparable civil servants award was based on the 14 per cent cash limits with an additional 2½ per cent from manpower savings which are not applicable to the hospital group.

Union leaders of paramedical workers—including radiographers, physiotherapists and occupational therapists—are seeking a meeting with Dr. Gerard Vaughan, Health Minister. to press for a pay increase above the cash limits.

# Milne union appeal starts

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

FORMER LABOUR MP Mr. Eddie Milne claimed in the Court of Appeal yesterday that when he lost his seat in Parliament he had been entitled to be re-employed by the shopworkers' union.

He appealed against a High Court judge's refusal in Februray last year to grant him a declaration that he should have been reinstated as an official of the Union of Shop, Distributive and Allied Workers after his defeat in the October, 1974, general election.

Mr. John Macdonald, QC, for Mr. Milne, said that he had been a member of USDAW or its predecessor since 1936. In 1952 he was made area organiser for Central Scotland. In 1960 he was elected, under USDAW sponsorship, as Labour member for Blyth, in Northumberland. He was nominally retained as a union employee, but without duties or salary.

At the February, 1974, general election the Blyth constituency party decided not to readopt Mr. Milne as its candidate. Mr. Milne stood as an independent and held the seat against an official Labour Party candidate, but was defeated in the October, 1974, election.

The union declined to re-employ him, holding that when he stood as an independent he had ceased to be a meber of the union's parliamentary panel entitled to retain employment with the union. That decision was upheld by the High Court.

The hearing continues today.

# 'Standby police' proposal

MR. JAMES BROWNLOW, Chief Constable of South Yorkshire, said the national steel strike early this year posed the question of whether a special "standby" police force was needed for emergencies.

He told a conference of chief officers of England, Wales and Northern Ireland in Torquay yesterday he was not, however, advocating a riot police force or riot training.

Mr. Brownlow noted that the South Yorkshire police operation during the strike cost £650,000 and involved bringing in officers from other areas.

This prompted him to ask whether there should be a national contingency fund to cover the full cost of policing the national steel strike, and if there was a need to mobilise a standby force when national problems arose.

He said that as well as operating the law, a Chief Constable had to appreciate the feeling of those involved in the dispute.

Before the strike, a senior officer had explained to the employers and union leaders how the police intended to approach their task.

Mr. Barry Pain, Chief Constable of Kent, told the conference that policing the steel strike at Sheerness for nearly 15 weeks cost £380,672. But he believed lawful picketing had its place in society.

## EUROPEAN OPTIONS EXCHANGE

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TOTAL VOLUME IN CONTRACTS 1604

C=Call P=Put



# Building workers seek 50% rise for all grades

BY JOHN LLOYD, LABOUR CORRESPONDENT

BUILDING WORKERS voted yesterday for a 50 per cent wage claim for both skilled and unskilled grades after a debate marked by obvious concern over the rate of inflation.

The biennial national delegate conference of the Union of Construction, Allied Trades and Technicians, meeting in Bournemouth, called on its executive to demand an increase in hourly rates to £3 for craft workers and £2.90 for non-craft workers, weekly rates of £120 and £116.

It called for a 35-hour working week, an extra week's holiday, an occupational pension scheme and increased travel and subsistence allowances.

The resolutions on wages, differentials and the common rate were passed against the wishes of the executive. The composite resolution on wages was prefaced by an expression of alarm at "erosion and projected erosion in our standards of living due to spiralling inflation."

Many delegates complained that the annual wage settlement which the union has just concluded, stipulating a 20 per cent increase on the basic rate to £80 a week for craftsmen, was too low. The vote for the 50 per cent increase appeared in part a reaction against this settlement.

Mr. Les Wood, UCATT general secretary, defended the settlement, saying that the union had exerted "maximum pressure" on the employers.

"The negotiations with the employers took place against a background of meetings with Michael Heseltine, the Environment Secretary, and John Stanley, the Housing Minister, at which it became quite clear that there would be a recession in the building industry.

"At the end of the day we may have to accept that the work force in the construction industry may be less than in days gone by."

Mr. Wood said that the resolution imposed a craft differential of only 3.3 per cent.

Mr. Steven Pulley, a delegate from Acton Branch, London, and mover of the resolution, won an overwhelming vote with a forceful speech. He said: "If we are to prove our credibility as a union and attract members, we have got to take the employers on."

# BL rejects 'wasted time' plea

By Arthur Smith, Midlands Correspondent

BL CARS rejected complaints last night from a group of workers who said they were wasting their time playing cards and dominoes in the canteen because of lack of work.

The company said that 120 workers at Drews Lane transmission plant, Birmingham, had been taken off production lines as part of a productivity drive. They were based in the canteen temporarily, but "were being used for maintenance jobs."

The men were retained for a trial three- to four-week period to establish whether the lines could operate satisfactorily without them. Assuming success, the employees, who had volunteered for redundancy, would be allowed to leave.

"This is a rational and sensible decision in order to improve productivity," a BL executive said last night.

The management at Drews Lane wanted to reduce manning by 200, and had called for volunteers for redundancy. As the first step, 120 workers were taken off production, and 80 more would follow.

This is part of a drive by BL to raise productivity in its 36 car plants closer to the level of that of Continental competitors.

# Civil Service test case withdrawn

BY PHILIP BASSETT, LABOUR STAFF

CIVIL SERVICE union leaders agreed yesterday to withdraw their legal action against the Government on disclosure of information about plans to reduce manpower costs.

The general secretaries of all the unions decided instead to set up a joint consultative committee with the Civil Service Department to help the flow of information to unions on key questions such as manpower and pay.

The unions lodged a complaint against the Government under the Employment Protection Act after an announcement last December of a cut of 39,000 posts.

The complaint, eventually passed to the Advisory, Conciliation and Arbitration Service, was seen by the unions as a test case of their legal relationship with the Government as an employer.

The idea of a joint committee was put forward two years ago, but the two sides were unable to agree satisfactory terms of reference.

The Council of Civil Service Unions told ACAS it was prepared to withdraw the complaint, provided ACAS supplied an observer to assist in establishing the new body.

The Civil Service Department is likely to insist that there are still areas where the Government will reserve the right to manage th Civil Service as it sees fit.

Union general secretaries were told at the meeting of the council's major policy committee of Government proposals for radical reform of the 25-year-old pay comparability system.

These would bring market forces to bear more directly on Civil Service pay through regional bargaining.

The more drastic option open to the Government is to scrap the pay research system and rely on cash limits to regulate pay increases. The unions are becoming increasingly concerned that this option is gaining in popularity among Cabinet hard-liners.

# Gatemen in dock strike

Financial Times Reporter

SHIPPING MOVEMENTS through the port of Liverpool were at a standstill yesterday when 253 dock gatemen staged a lightning 24 hours strike in support of an improved pay award.

They are due back on shift at 8 am today but have warned they will continue to stage sporadic one day stoppages without notice

# UK NEWS—PARLIAMENT and POLITICS

## Tory peers withdraw on Bill

By Ivor Owen

BACK BENCH Tory peers heeded Government warnings in the Lords last night and did not press an amendment to the Employment Bill which would have compelled unions to hold secret ballot on strikes and the eection of key officials.

Earl Gowrie, Minister of State for Employment, argued that for Parliament to insist on compulsory ballots would play into the hands of union militants who wanted to launch a campaign against the Bill similar to that which rendered the *1971 Industrial Relations* Act ineffective.

He believed that there was already growing recognition *within the trade union movement* of the need to strengthen the democratic process in its decision-making, and the Government wanted to stimulate and give further momentum to this encouraging trend.

Lord Gowrie stressed the delicacy of the process and told those peers who wanted to put more teeth into the Bill by making secret ballot compulsory that their action could well have the result of upsetting and thwarting the developments the Government wished *to* encourage.

He emphasised: "We must not alienate moderate opinion on the shop floor."

## Thatcher anxious for reduction in MLR

BY IVOR OWEN

WITHOUT GIVING any indication of the likely time scale, the Prime Minister again made it clear in the Commons yesterday that she was anxious to see the earliest possible reduction in the Minimum Lending Rate

Mrs Thatcher described high interest rates as "one of the greatest problems we have at the moment," and revealed that it was among the matters she had discussed earlier in the day with Sir Geoffrey Howe, the Chancellor of the Exchequer.

The Prime Minister insisted that it was absolutely vital that the rebates resulting from the *cut in Britain's contribution* to the EEC budget should go to "reducing the Public Sector Borrowing Requirement and, therefore, to reducing interest rates."

Mr. James Callaghan, Opposition leader, repeatedly called on the Prime Minister to accept that the Government's economic policy had failed and to take the urgent action needed to arrest the decline of Britain's manufacturing industry.

*Amid* Labour cheers, he argued that there was no need to wait until July 16, the date fixed for the special all-day meeting of the Cabinet when Ministers will review the results of the Government's first year of office.

The "dreadful policies" which over the past 13 months had doubled inflation and left the country facing the threat of still higher unemployment should be immediately reversed, he said.

Mrs. Thatcher, who taunted Mr. Callaghan over the uncertainty surrounding his own future as Labour leader ("you are trying very hard"), assured him that economic policy was regularly *discussed* by the Cabinet.

After repeating that the refunds from the Community budget would go to reducing expenditure and would help with reducing interest rates, she invited Mr. Callaghan's support in encouraging wage *increases to* be kept in line with increases in productivity.

"But I do not expect such assistance from that quarter," the Prime Minister snapped.

Earlier she told Mr. Stephen Ross (Lib., Isle of Wight) that keeping wage increases in line with increases in productivity was the greatest help that could be given to manufacturing industry.

But the Prime Minister emphasised: "It is a matter *for employees and management* to discuss together."

Mr. Ross warned her that the combined effect of high interest rates and the over-valued pound could result in her Premiership coinciding with the greatest decline in manufacturing industry and the greatest number of bankruptcies seen for 100 years.

The Prime Minister reported considerable interest in the location of the new enterprise zones whose creation was announced in the Budget.

There had been a lot of applications and the areas chosen would be announced in the next six weeks.

Mr David Steel, the Liberal leader, acidly proposed that the Government should commemorate its first year in office by introducing a £1 coin.

He pointed out that under Mrs Thatcher's leadership the value of the pound had continued to decline so that the purchasing power of the 50p piece introduced in 1969 had now strunk to 13½p.

The Prime Minister answered that no consideration had been given to introducing a £1 coin.

As for the fall in the purchasing power of the pound, most of that had occurred under *the previous Labour Government.*

## Callaghan and Benn clash over pay policy

By Elinor Goodman, Lobby Staff

MR. JAMES CALLAGHAN and Mr. Anthony Wedgwood Benn again clashed over pay policy yesterday as Mrs. Barbara Castle, the former Labour Minister and long-time opponent of Mr. Callaghan, argued that the time was now right for Mr. Wedgwood Benn to take over as leader of the Labour Party.

In a speech yesterday, Mr. Wedgwood Benn tried to exploit Mr. Callaghan's reaffirmation at the weekend in his belief in pay policy to attack the Party leader's traditional power base in the party among the trade unions and to persuade them to support his demands for constitutional reforms.

Unless the unions help get these reforms through this year's Party Conference, he warned, they could find themselves "shackled" with the kind of pay policy which the last Labour Government had imposed upon them and so conributed to its own downfall.

For his part, Mr. Callaghan, interviewed by ITN, accused Mr. Wedgwood Benn of misinterpreting his words. He repeated *his belief* that it was essential for the Labour Party to reach an understanding with the trade unions over incomes *before the next* election.

He was not, he insisted, talking about "shackling" the trade unions, but there had to be a firm and unshakeable understanding about the criteria for fixing wages and incomes."

In his speech, Mr. Wedgwood Benn, who was Energy Minister in the last Labour Government, and who has since the election gone into voluntary *exile on the Opposition* back benches, claimed that most trade unionists would agree that one of the factors which led to the defeat of the Labour Government last year was the "rigid pay policy imposed against the advice of the TUC and the Labour Party Conference."

In an obvious reference to Mr. Callaghan's speech at the weekend, Mr. Wedgwood Benn said the party was now hearing calls for a new incomes policy to be introduced by the next Labour Government.

Unless the party accepted the "democratic *reforms*" *he was* proposing to make the Parliamentary leadership more accountable, the trade unions could be shackled against their consequences.

the best reception of the main

Mr. Wedgwood Benn got far speakers at last weekend's Party conference. Yesterday, Mrs. Barbara Castle said on BBC1 that Mr. Wedgwood Benn should replace Mr. Callaghan as leader of the Labour Party.

Mr. Wedgwood Benn has alienated some of his colleagues in Parliament on the Left by his recent suggestions. Some, for example, are uneasy about the idea that all prospective Labour MPs should have to formally agree to abide by the Party manifesto once elected.

As the rules of the Labour Party stand, Mr. Wedgwood Benn would have no chance of being elected leader.

Asked again yesterday whether he intended to stand for re-election as leader this autumn, Mr. Callaghan refused to answer. But he brushed aside *suggestions that the divisions in* the Labour Party were opening up a gap for a new centre party.

Such a movement, he said, would not get very far because any political party had to rest on organised interests. The Labour Party, he pointed out, had its support among trade *unions.*

In contrast, Mr. David Steel, the Liberal leader, claimed that the Liberal Party was growing in strength to provide the core of a fresh movement in British politics.

In an oblique reference to suggestions that Mr. Roy *Jenkins, the EEC President,* might be about to leave Brussels to join such a movement, Mr. Steel made it clear that the Liberal Party was not actively recruiting big names from other parties.

"We welcome the prospects of more recruits." he said, but it was the volume of converts which mattered. "not their individual distinction."

He repeated, however, that the Liberal Party was ready to co-operate with others sharing its view of what was required.

## No 'windfall tax' on banks this year—Lawson

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE GOVERNMENT has no intention of introducing a "windfall tax" on bank profits this year, Mr. Nigel Lawson, Financial Secretary to the Treasury, told the Commons last night.

Speaking during the committee stage of the Finance Bill, he said that high clearing bank profits were a by-product of the Government's determination to *root out inflation by monetary* policy. This necessarily meant "high interest rates for the time being."

The Minister was under pressure from Mr. Denzil Davies, a Labour Treasury spokesman, to say what the Government intentions were on the possibility of an excess *profits* tax on the banks.

Mr. Davies recalled that the Chancellor, Sir Geoffrey Howe, had referred to the subject of high bank profits in his Budget speech. Mr. Davies assumed from this that the Treasury was examining the feasibility of a special tax on the banks.

Mr. Lawson stressed, however, that he did not share the view man high for some time to come. "I have confidence they will come down," he said.

Mr. Lawson agreed that there could in principle be a case for taxing the "windfall elements in the profits which for the big foud clearing banks, amounted to £1.5bn before tax last year.

But, he added: "To introduce a discriminatory tax on profits legitimately earned by one particular sector of the economy requires a very *strong* case to be made. In my judgment that case has not been made in the case of the banks this year."

*It was undoubtedly* true, he said, that there was an element of quasi-monopoly in the clearers' position.

*But the Government's* policies were directed at getting inflation down, reducing Government borrowing and interest rates. That would remove the immediate cause of the *high* clearing bank profits.

The Government was also strongly criticised, by Mr. Davies and *Mr. John Garrett,* another Labour Treasury spokesman, over the plight of the manufacturing sector as a result of high interest rates. They *claimed that* unless there was a change in Government policy, interest rates would stay up for years to come.

Mr. Lawson, however, maintained that it was "absolutely absurd" that the problems of the corporate sector were new and were *simply the* responsibility of the present Government. Profitability of British industry had been declining *steadily for* the past 20 years. It was a problem that was inevitable if inflation was to be cured.

*"There has to be a period of squeeze,"* said Mr. Lawson. "No one wants to see a recession, but this is inevitable if inflation is to be squeezed out of the system.

"It is an illusion that the war against inflation can be won without some casualties on the way. We hope that the casualties will be as few as possible."

The main way to reduce inflation was to ensure that wage increases were as moderate as possible. It was the rising wage bill that was squeezing profits to private indstry more than anything else.

## Wales CBI attacks committee

BY ROBIN REEVES

THE WALES CBI accused members of the Commons Select Committee on Welsh Affairs, of misrepresentation and discourtesy at the start of the committee's session yesterday.

In an astonishng attack, Mr. Emrys Evans, the CBI Welsh chairman, said that as reports of their initial evidence, 10 days ago, suggesting some committee MPs felt the CBI was holding out a bigger begging bowl than any other delegation was "a complete travesty of the truth."

So was the allegation its exidence lacked *intellectual* content. At one point he demanded a public apology.

The committee is investigating ways of tackling the Welsh jobs crisis and has been taking evidence from a number of Welsh bodies.

"Newspapers invited us to reply to these charges but we thought it would be discourteous while the hearing was in session. We hoped for the same courtesy, but sadly this is not the case," he said.

Mr. Ian Kelsall, the CBI Wales director, called on the committee to compare the list of measures urged by the Wales TUC. "They would need not a begging bowl but a pantechnicon," he declared.

Mr. Leo Abse, the committee chairman, *reminded the CBI* firmly that they were not in a position to ask a Select Committee questions.

### Elinor Goodman reports from an industrial constituency

## Test of nerves in Tory marginals

"RED RUM IN NELSON" read the headline at the top of the front page of the *Nelson Leader* last week. Alongside was an equally well-displayed story about a "visitor from Knotty Ash." A story about a local factory closure merited only the bottom of the front page, while the latest unemployment figures for the area, showing an *increase of just under 50* per cent since the election, rated a small story on the back.

Overshadowed as they were *in the Nelson Leader* by the lighthearted stories, it is the reports of factory closures and rising unemployment which will be uncomfortably familiar to those Conservative MPs who, like John Lee, the member for Nelson and Colne in Lancashire, represent marginal industrial seats.

Behind them are the frequent cries of anguish from local businessmen about the pincer *effect on their* trade of high interest rates and the strong pound. Cumulatively, these stories, and the events behind them, could provide some of the newer Tory MPs with a severe test of nerves before Mr. John Biffen's "protracted winter of discontent" is over.

In Nelson and Colne, the recession certainly does not hit you in the eye any more than the bad news does in the local paper. The two small towns which give the constituency its name exude an air of stern respectability, and even if things really were bad, people are proud enough to want to hide it. The streets of back-to-back houses, where an unmodernised terrace cottage can still be bought for £3,000. are immaculately clean. The houses look as if their owners (owner-occupancy is among the highest in Britain) care for them and are prepared to spend money on them.

As local Labour Party workers say, with a sense of, frustration, *the majority* of people are probably not aware there is a recession—though they are certainly aware of rising prices. Indeed, compared to many parts of Britain, the constituency is not doing badly. Unemployment is about average *for* the country as a whole at 6.1 per cent. Though the towns grew up in the last century around cotton mills, industry is now much more diversified.

Only about 20 per cent of employment is in the textile *business. This spread of industry* has meant that Nelson and Colne has not been as badly hit by the problems of the textile industry as some neighbouring constituencies, like Rossendale, which has what John Lee describes as the "double cross to bear" of the textile industry *and the footwear* business.

But, as John Lee admits, the seeds of recession are already firmly implanted in the *constituency, and could produce* some unpleasant fruit over the next few years. Not surprisingly, these problems are most evident in the textile sector, where a combination of what John Lee sums up as "IRI: Imports, Recession and Interest rates," have accelerated the decline of the industry and meant that even companies which once prided themselves on their efficiency, and invested heavily over the years, have gone to the wall. Stocks have been slashed by both manufacturers and their customers.

### Black joke

According to one black joke, told last week by a textile manager whose mill was in the hands of the receiver, this has even created cash flow problems for the "fent men" who sell seconds and bankrupt stock. "There's so much cheap stock around, they're having to compete with each other for sales and they can't even pay you cash now."

Those manufacturers who survive are nervous. Asked last week whether he was still making a profit, one textile manufacturer looked at his watch and replied "as of 9.18, the answer is yes, but don't ask me after dinner."

*Mills have been closing* at the rate of about one a week since Christmas. Apart from the closure of a Courtaulds plant, which resulted in the loss of about 200 jobs, the number of jobs lost with each closure has not been large. But they probably add up to well over 500 since Christmas, and many other mills are on a three-day week. Half the members of the Nelson and Colne Union of Twisters and Drawers, one of the multiplicity of unions in the industry, have lost their jobs this year.

It is not just the textile industry which is having problems. A furniture factory attracted into the area as part of a plan to lessen the dependancy on textiles is also on a three-day week.

At a businessman's lunch, the manager of a large packaging company says trade is well down and that he is worried about the last quarter of the year. Already, he admits, he is accepting orders which will give him almost no profit.

In Nelson's Arndale shopping centre, the owner of a boutique says business fell away after Christmas an has never really recovered. This summer, she says, she will not be buying in special goods for her clearance sale: just selling off what she's got. At a gathering of landowners in the ???? part of the constituencs an official from the Ministry of Agriculture says that farmers are not coming forward for garnts.

Wherever he went last week, John Lee was reminded of the problems created by the present level of interest rates. In the textile mills, this was accompanied by a plea for action to stem the flow of cheap imports into the country. In some cases, people did not really seem to know what precise action they wanted from the Government on imports, except a tightening up of the Multi Fibre Agreement next year. But in much the same way as Tory backbenchers were earlier this year calling for something to be done about public expenditure — without specifying what—the textile companies were convinced that something had to be done immediately to help the indsutry.

The arguments against import controls used by Mr. John Nott, the Trade Secretary, did not seem to have impressed them at all.

"We believe in free trade too," said one, in what became a familiar refrain. "But let's have the other team playing the game too."

Another claimed that unless *the Government did something* now to protect the industry, Ministers would next year be arguing that since the textile industry was already so rundown there would be no point in protecting it.

But in spite of the passionate sense of injustice which some textile employers have about the *state of their business,* and the problems being caused for others by interest rates, there was little sign in Nelson and Colne last week of the Conservatives' traditional supporters among the business community losing their faith in the Government's basic economic policy.

One textile manager worked himself into a nervous sweat detailing his problems. It had never been worse for the textile industry, he said. "How can I survive when the Americans can undercut my prices, along with most of the so-called under-developed world, and I've got to pay 20 per cent interest and the value of the pound means I'm losing all my export business? It just doesn't make sense."

### Venom

Nevertheless, when asked whether this made him query the Government's policies, he said with equal venom, that there was no doubt that the Government was right, and that this was the penalty Britain had to pay for having lived beyond her means for so long.

Local Conservative councillors showed much the same faith in the Government's ultimate ability to pull the economy round, though they agreed that they had lost the support of some of those who voted Conservative for the first time at the last election.

In some ways, morale among *the party faithful still seemed* to be relatively high, buoyed by a sense of political righteousness. But it was clear in Nelson and Colne that if the confidence of people like this is to be retained, the Government will need to get interest rates moving down by the autumn at the *latest.*

Almost as important, in terms of morale, it seemed, would be getting the rate of public sector pay increases this winter below the increase in the Retail Prices Index.

Other Tory MPs who returned to industrial constituencies last *week are likely to have come* to Westminster this week with much the same message. Certainly, loyal Conservative supporters were not calling for "U-turns" as such in Nelson and Colne, but there was a tendency to talke uphemistically about the need for "flexibility." *And* "*flexibility*" can mean anything, it seems, from import controls to directing bank profits into small business.

### Compromise sought in New Hebrides

## No plan for armed force

BY PHILIP RAWSTORNE

AN IRONIC twist of politics in the Commons yesterday saw the Government resisting *Labour demands* for the use of armed force to maintain law and order.

Mr. Peter Blaker, Minister *of State, Foreign Office,* was pressed to put down the rebellion in the New Hebrides island of Espiritu Santo.

Labour MP, Mr. Christopher Price, even sought an emergency debate as well as a gunboat.

Neither was forthcoming.

Mr. Blaker sternly reiterated Anglo-French support for the democratically elected Government of the islands. He roundly condemned the armed insurrection.

Britain and France were determined to safeguard the *New Hebrides' territorial* integrity, he declared.

They were committed to the independence constitution and were agreed that legitimate authority should be restored.

But it had been decided to make a further effort to persuade both sides to settle their differences in a true spirit of compromise, he added.

*"If no progress is made* towards reconciliation Britain and France will decide jointly on what further action to take."

"Weak and vacillating," Mrs. Gwyneth Dunwoody, the Labour spokesman, responded scornfully.

*Why had the Government* abandoned its pledges to keep law and order? Where was the police mobile force that the Government had said was ready for action?

Had the French Government made it clear that it would not allow its nationals to continue flouting the island's government by this "shabby little manoeuvre,"? she demanded.

Mr. Blaker was indignant —the *Anglo-French* statement on the issue had been "very strong," he protested.

The Government had evacuated 1,400 people and sent two military advisers to the scene, Mr. Blaker added.

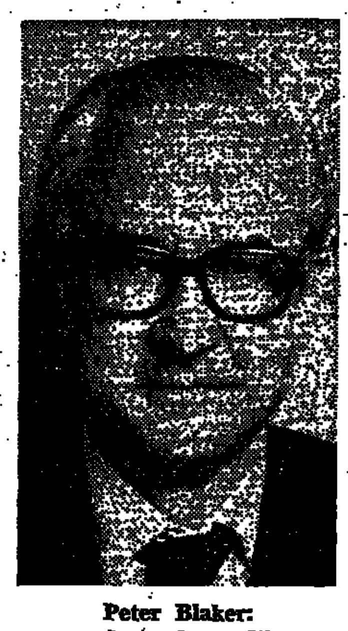
"We need to be very careful before we take military action to ensure that it will be effective."

Mr. Anthony Kershaw (C., Stroud) praised the Government, amid Labour hilarity, *for moving slowly and* cautiously.

Mr. Blaker was grateful—and assured him that the U.S. Government had agreed to investigate and prosecute any violation of its laws by the involvement in the rebellion of U.S. citizens.

Mr. Blaker went on to assure Labour MPs that such people would be barred from the New Hebrides.

But he failed to stem the demands for action. Tory backbenchers suggested that Labour's aggression sprang from the fact that the enemy were armed only with bows and arrows.



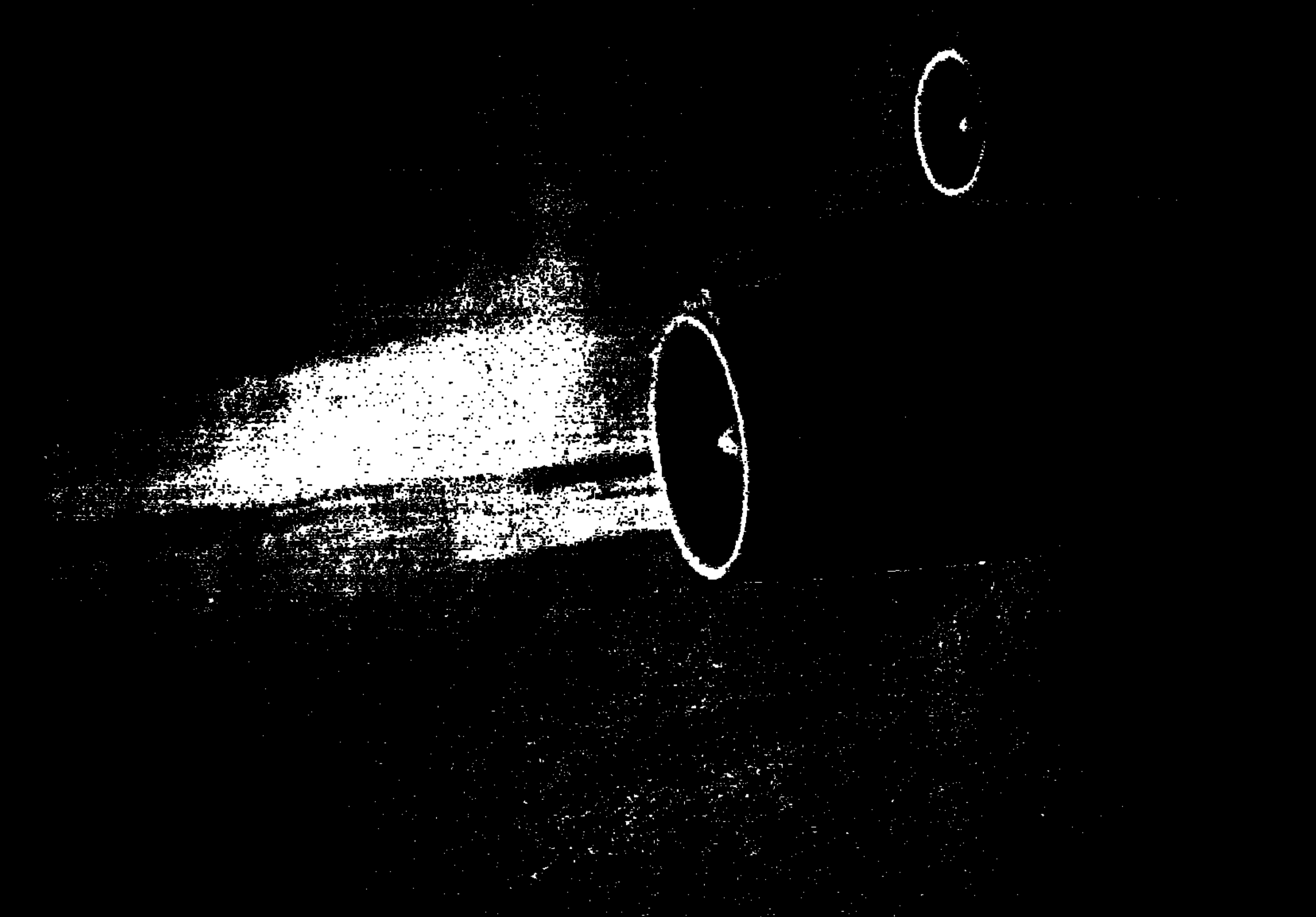
Peter Blaker: condemned rebellion

### BASE LENDING RATES

| | | | |
|---|---|---|---|
| A.B.N. Bank | 17 % | ■ Guinness Mahon | 17 % |
| Allied Irish Bank | 17 % | ■ Hambros Bank | 17 % |
| American Express Bk. | 17 % | ■ Hill Samuel | §17 % |
| Amro Bank | 17 % | C. Hoare & Co. | †17 % |
| Henry Ansbacher | 17 % | Hongkong & Shanghai | 17 % |
| A P Bank Ltd. | 17 % | Industrial Bk. of Scot. | 17½% |
| ■ Arbuthnot Latham | 17 % | Keyser Ullmann | 17 % |
| Associates Cap. Corp. | 17 % | Knowsley & Co. Ltd. | 19 % |
| Banco de Bilbao | 17 % | Langris Trust Ltd. | 17 % |
| Bank of Credit & Cmce. | 17 % | Lloyds Bank | 17 % |
| Bank of Cyprus | 17 % | Edward Manson & Co. | 18 % |
| Bank of N.S.W. | 17 % | Midland Bank | 17 % |
| Banque Belge Ltd. | 17 % | Samuel Montagu | 17 % |
| Banque du Rhone et de la Tamise S.A. | 17½% | ■ Morgan Grenfell | 17 % |
| Barclays Bank | 17 % | National Westminster | 17 % |
| Bremar Holdings Ltd. | 18 % | Norwich General Trust | 17 % |
| Brit. Bank of Mid. East | 17 % | P. S. Refson & Co. | 17 % |
| ■ Brown Shipley | 17 % | Rossminster | 17 % |
| Canada Perm't Trust | 18 % | Ryl. Bk. Canada (Ldn.) | 17 % |
| Cayzer Ltd. | 17 % | Schlesinger Limited | 17 % |
| Cedar Holdings | 17 % | E. S. Schwab | 17 % |
| ■ Charterhouse Japhet | 17 % | Security Trust Co. Ltd. | 18 % |
| Choulartons | 17 % | *Standard Chartered* | *17 %* |
| C. E. Coates | 17 % | Trade Dev. Bank | 17 % |
| Consolidated Credits | 17 % | Trustee Savings Bank | 17 % |
| Co-operative Bank | *17 % | Twentieth Century Bk. | 17 % |
| Corinthian Secs. | 17 % | United Bank of Kuwait | 17 % |
| The Cyprus Popular Bk. | 17 % | Whiteaway Laidlaw | 17½% |
| Duncan Lawrie | 17 % | Williams & Glyn's | 17 % |
| Eagil Trust | 17 % | Wintrust Secs. Ltd. | 17 % |
| E. T. Trust Limited | 17 % | Yorkshire Bank | 17 % |
| First Nat. Fin. Corp. | 19½% | | |
| First Nat. Secs. Ltd. | 19 % | | |
| Robert Fraser | 17 % | | |
| ■ Antony Gibbs | 17 % | | |
| *Greyhound Guaranty* | 17 % | | |
| Grindlays Bank | ‡17 % | | |

■ Members of the Accepting Houses Committee.
* 7-day deposits 15%. 1-month deposits 15¼%.
† 7-day deposits on sums of £10,000 and under 15%, up to £25,000 15¼% and over £25,000 15½%.
‡ Call deposits over £1,000 15%.
§ Demand deposits 15%.

# BRINGING HOME EXPORT ORDERS.



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Our comprehensive services cover all financial aspects of your exporting needs including the largest projects.

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We can provide you with advice at every stage of your export project.

— 4 —
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— 7 —
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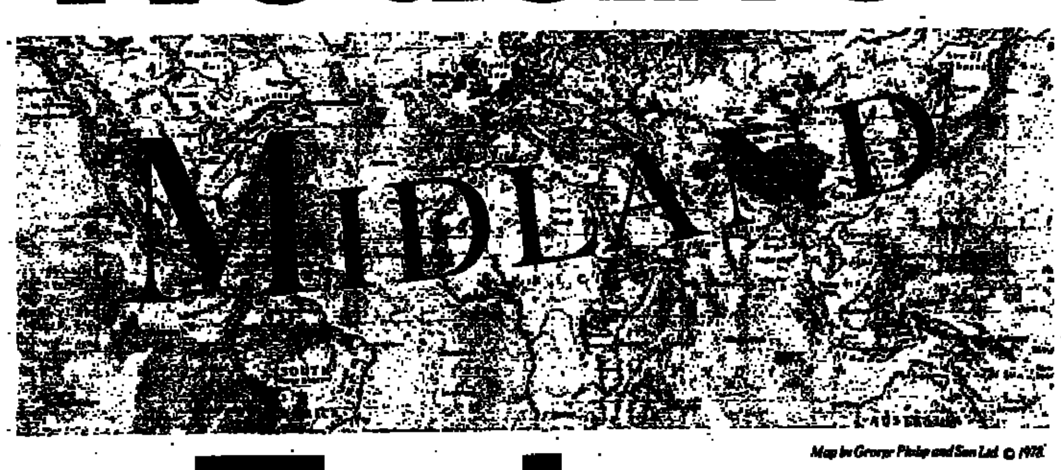



Map by George Philip and Son Ltd © 1978

# Test us.

**Midland Bank International**

Midland Bank Limited, International Division,
60 Gracechurch Street, London EC3P 3BN. Tel: 01-606 9944.

# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● SECURITY

## Signature checked as pen moves

NATIONAL Research and Development Corporation (NRDC) has licensed Transaction Security of Guildford to exploit the signature verification technology known as Verisign, originally developed at the National Physical Laboratory (NPL) with assistance from NRDC and the Inter-Bank Research Organisation.

Verisign is based on the idea that it is very difficult to accurately forge someone else's signature: it is a unique physiological human attribute as are voice prints and fingerprints, and furthermore is something that cannot be lost or forgotten by the owner such as passwords, identity numbers, cards or keys.

Verisign is a patented system for the automatic verification of personnel identity by real-time analysis of their unique, dynamic handwriting style as exemplified by the way they sign their name. The signature is measured in the act of being written rather than as a static image. The originators also believe that the signature is much more acceptable and familiar in society than the voice or fingerprint.

As the writer's pen moves, its position is digitised at frequent intervals; both the geometric and rhythmic properties of the signature are extracted and reduced to a unique and personal sequence of numbers which are encoded on to an identity or credit card.

After that, whenever the user presents his card—when obtaining money from a bank or seeking entry to premises for example—he writes his name on a similar digitising pad and the resultant digit sequence is compared with that on the card he will have inserted into the machine. If the sequences do not tally, he can proceed no further.

The originators claim that the system can take account of normal day-to-day variations in signature style and rhythm—some people can produce apparently rather different signatures when nervous or under stress or tired—and the system will not reject the customer under such circumstances. The technique has also been proved with extremely large populations of signatures such as Arabic, Chinese and Japanese.

Latest prototype of the equipment, Verisign 2, is microprocessor based and has been designed and is to be made in the UK by Transaction Security, a British company. It will be aimed at point of transaction checking in government, commercial, financial and industrial areas, and offers full compatibility with modern data communications practice.

GEOFFREY CHARLISH

● HAND TOOLS

## Useful for intricate jobs

A MINIATURE electric drill with a 3 mm chuck capacity has been introduced by West Hyde Developments for precision work in electronics, school laboratories and model-making. In electronics, says the company, it has particular application on printed circuit boards and other components, where very fine and accurate control is required.

Called the Titan, the drill has a cylindrical body 114 mm long and 44 mm in diameter. It is supplied with a tool kit, enabling a variety of tasks to be undertaken. In addition to collets and eight twist drills for boring holes up to 3 mm in diameter there are a further 12 assorted tools.

Further accessories available include slitting saws in three sizes, carborundum slitting discs, high speed twist drills in sizes from 0.6 to 1.6 mm and a metal drill stand for vertical or horizontal mounting.

Operating on a 12v DC supply, the Titan can be powered direct from a car battery or from the normal mains supply using a purpose-designed power supply. It can be obtained direct from West Hyde Developments, Unit 9, Park Street Industrial Estate, Aylesbury, Bucks. (0296 20441).

● HYGIENE

## Risk of infection lessened

A BUILT-IN colour indicator on a non-woven wiping cloth fades as the material loses its disinfectant properties and acts as a warning to the user to replace the cloth.

This British invention combines ion-bonded wide spectrum bactericides with a wiping cloth and could mean the end of separate disinfectants and applicators having to be used for carrying out hard surface disinfection in hospital wards, pathology laboratories, kitchens, lavatories, bathrooms, etc.

Disinfection now becomes a simple matter of wetting a Wipex cloth in clean water and applying it over the relevant surface, allowing a controlled release of non-toxic disinfectants on to the surface which are sufficient to kill all harmful bacteria without causing taint, staining or corrosion, says Wipex Products, 17 Weymouth Mews, London W1 (01 637 2615).

The cloth can be used repeatedly, with guaranteed safety, says the company, while bold indicator stripes bonded to the bactericides—not the cloth itself—remain visible to show that the disinfectants are present in effective strength.

## Germs are kept at bay

CONVENTIONAL utensil for the hygienic shovelling of food or sensitive materials is a stainless steel shovel, which could cost something like £15. Now available is the Sterishovel, made of ICI's polypropylene, "Propathane," in hand- and full-length versions.

These are said to be practically unbreakable (even when abused after subjection to temperatures of minus 40 degrees C) and can be sterilised in boiling water without damage.

They are capable of handling heavy, awkward loads, are less fatiguing to use and have no sharp edges to inflict damage or personal injury. Most important, they are non-toxic.

Sterishovels are also suitable for use around petro-chemical installations, and on oil tankers, since their all-plastic construction renders them less likely to produce a spark, says the maker, Harold Moore (Injection Mouldings).

They are marketed by Ottimo Supplies, 12, Livingstone Mills, Howard Street, Batley, West Yorkshire (0924 469685).

● PROCESSES

## High speed tablet production

CAPABLE OF producing up to 260,000 pharmaceutical tablets an hour is a range of Korsch Pharmapress 300 tablet presses making a UK debut at the Interphex Pharmaceutical Equipment Exhibition in Brighton, June 10-13.

Machine is a high performance rotary press which has been developed in consultation with I. Holland, Meadow Lane, Long Eaton, Nottingham (60676 66153).

Inner and outer machine surfaces are smooth so that the Pharmapress can be cleaned and serviced easily, and it operates quietly (only 75 dBA even under maximum load) due to the completely enclosed pressing area and anodized aluminium windows which are equipped with double impact resistance safety glass and specially sealed to prevent cross-contamination.

Its newly developed dust extraction system is said to completely remove press dust at point of origin. A sorting point in the tablet ejection line separates out all waste tablets produced during adjustment, starting and stopping of the machine, as well as during production, in combination with the Pharmakontroll electronic control instrument.

When fitted to the press, this instrument automatically monitors and corrects the tablet weight. It is said to be the first computer controlled proportional system for the automatic production of tablets within extremely narrow tolerances with fault indication and sorting point control.

To analyse press data, the Pharmakontroll can also be equipped with a print-out for single value control, average value control, and punch length control. By means of the measured press forces, it is possible to rapidly check whether individual punch lengths are correct. Where pressing variations occur, data is automatically printed out on to a control tape.

The Pharmakontroll unit and printer are mounted in single instrument housing adjacent to the rotary press and can also be installed outside the production area in a separate control room if required.

## Ensures pure water

BECAUSE ULTRA pure water is required by today's process industries for use in boiler feed waters, food manufacture, pharmaceuticals, etc., it is necessary to carefully monitor the organic carbon contamination in order to justify recirculation of this precious commodity, says Phase Separations, Deeside Industrial Estate, Queensferry, Clyd (0244 816444).

High pressure boilers, for example, demand water with a minimum organic carbon content, and industry suffers the cost of producing such water to supply the boiler, in addition to the new water supply charges.

Once used, this water is seldom recycled for fear of the consequences of contamination, and is thus released, incurring more costs in disposal of what can be purer water than originally available in its raw state.

A continuous determination of extremely low level organic contamination such as oils, fats, etc., can be provided—resulting in vast savings on water quality budgets—with the process organic carbon analyser, the PROTOCsin, says the company.

● PACKAGING

## Getting the right label

VITAL PART of a company's operations today is the use of labels in a variety of forms and applications. They are important for product and weigh price marking, packaging and despatch, identification systems, computer labels, mailing lists and industrial uses.

Until now, however, there has not been a convenient reference handbook to which the current and potential label user could consult for information about label printers and converters, materials suppliers, application machinery manufacturers—or for details on who produces what in the way of product coding, computer, on-roll container and weigh price labels.

Demand can be met now with the publication of the first-ever "Directory of Labels and Labelling—manufacturers and suppliers in the UK" at a special immediate post publication price of £5, including p and p (£7.50 later) from Labels and Labelling Publishers, 10, Torrington Drive, Potters Bar, Herts (Potters Bar 56828).

● AGRICULTURE

## Chips for the furnace

TREES, branches and hedgerow cuttings up to 9 in diameter can be reduced to chips for use as a fuel for many types of heating apparatus by means of a unit which can be driven from the power take-off of a tractor.

Chips can be discharged directly into trailers on storage areas and it is possible to produce up to 35 cubic metres an hour. Details of the machine can be obtained from Exenco, Holder Road, Aldershot, Hants. (0252 316661).

● TRANSPORT

## Quick run out to the oil rigs

NORWAY'S Aker shipbuilding and offshore fabricating group has designed a new kind of high-speed passenger vessel which it claims could rival helicopters as a rapid means of transporting personnel to and from offshore installations.

The new craft, called Aker OPT (Offshore Personnel Transport), is a cross between a semi-submersible rig and a catamaran. It has been successfully tested in model scale at Trondheim University's ship model testing basin, but Aker will not reveal what scale model was used.

Service speed will be 26 knots, permitting the distance from Stavanger to Ekofisk to be covered in just over six hours. For the OPT's 400 passengers, the journey would take 6½ hours, including the time taken to transfer them to the offshore installations. Four stabilising fins would ensure a smooth ride.

The OPT design is so flexible, Aker says, that it could be used in combination with several of the systems now being developed for transferring personnel from ships to rigs.

The craft would be powered by two gas turbines—one in each of its two streamlined pontoons. It would be 50 metres long and 30 metres wide, giving room for such facilities as a restaurant, film and TV room, etc. Estimated building time at Aker's Norwegian yards is between 18 months and two years.

FAY GJESTER

● IN THE OFFICE

## Calculator has more power

NEW CONSTANT memory facility of a hand held programmable calculator allows it to retain data, program steps and memory partitioning information even when the unit is turned off announces Texas Instruments, Manton Lane, Bedford (0234 67466).

Programs and data can be stored indefinitely and are instantly available, thus eliminating the need to re-enter programs manually.

The calculator has up to 480 programs, or up to 60 data memories. Called the TI 58C, it offers the user the flexibility to select a broa variety of combinations by partitioning of memory to allocate available resources between program steps and memory registers.

Retail price is under £100 (inc VAT).

● METALWORKING

## Shapes lathe knives

OFFERED TO the woodworking industry is a new profile knife-grinding machine from Automatic Grinding Machine and Engineering Company, Padiham Road, Sabden, Blackburn, Lancs. (0282 71838).

Latest addition to the company's Autool range of profile grinders for shaping lathe knives while mounted in place on their cutterhead, this machine includes advanced design features which facilitate blanking and regrinding of the knives.

It also includes twin interchangeable heads to rough and finish grind at one setting, and free-floating and bias-free table movement. There is, too, a sample turning fixture to allow pre-setting of blanks and instant checking of knife profile and clearance.

## Drilling in safety

MACHINE TOOLS Trade Association has just issued its latest code of practice, "Safeguarding Drilling Machines," at a cost of £7.00 (incl. p and p), available direct from MTTA Publication, 62, Bayswater Road, London W2 (01-402 6674).

Contents include advice on holding, coolant and swarf, and other considerations such as lifgting and handling, installation and maintenance instructions.



● HANDLING

## Easier to cope with garments

PARTICULARLY SUITED to the clothing industry for production of garments where machinists can readily remove and easily replace single garments on a coathanger—with or without the use of a diabolo roller, dependent on the application—is a conveyor system which relies on only one rail.

Using a simple hook-on diabolo wheel with a multitude of carriers, it can be fed on automatically or by hand and has been designed to ensure anti-contamination of the products carried, says Midland Handling Equipment, Stretton Road, Great Glen, Leicester (053759 3175).

Called the Railmaster, it has a carrying capacity of up to 56 lb and is suitable for any application where not only are goods to be transported from A to B, but also need to be transferred from and on to live storage rails, without the normal requirement of a twin track system.

● MATERIALS

## Coating cuts corrosion

NEW, ONE-PART liquid coating material called Prodorite MC9 has been developed to meet the needs of the electrical industry for a one-drip rapid-cure weatherproofing solution for encapsulating small electric motors, etc., announces Prodorite, Eagle Works, Wednesbury, West Midlands (021 556 1821).

Consisting of polymers in a mixed aromatic and ketone solvent, it air-dries to produce a hard, resistant coating and acts as a waterproof seal, giving protection against corrosion for motors such as those used to drive car cooling fans, windscreen and headlamp wipers, and actuators for pop-up headlamps.



## COMPANY NOTICES

**THE THARSIS SULPHUR AND COPPER COMPANY, LIMITED**

Court of Session, Scotland

NOTICE IS HEREBY GIVEN that by Interlocutor dated 28th May, 1980, the Court of Session has directed a Meeting of the holders of the shares of £2 each (including such shares as are represented by share warrants to bearer) of the Tharsis Sulphur and Copper Company, Limited (hereinafter called "the Company") to be convened for the purpose of considering and, if thought fit, approving (with or without modification) a Scheme of Arrangement proposed to be made between the Company and the holders of the said shares.

The Meeting will be held at the Hotel Lancaster, 7 rue de Berri, 75 Paris (8) on Monday the 30th day of June, 1980, at 12.10 o'clock in the afternoon (or so soon thereafter as the preceding Annual General Meeting of the Company shall have been concluded or adjourned) at which place and time all the said holders are requested to attend.

The said holders may vote in person at such Meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend and vote in their stead.

In the case of registered joint holders the vote of the senior who tenders a vote whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the Register of Members.

In order to attend and vote at the Meeting, and for forms of proxy to be effective, a holder of a share warrant to bearer must deposit, not less than ten days before the day appointed for the Meeting, at the Registered Office of the Company, 136 West George Street, Glasgow G2 2HF, a declaration certifying that he is the absolute owner in his own right of the share warrant deposited as follows:

(a) where the warrant is within the United Kingdom, with an Authorised Depositary listed in Appendices I and II of the issue of the Bank of England Notice EC1 in force on 24th October, 1979 when the United Kingdom abolished Exchange Control restrictions. (These include Banks and stockbrokers in, and Solicitors practising in, the United Kingdom, the Channel Islands or the Isle of Man), or

(b) where the warrant is outwith the United Kingdom, with one of the following Depositaries:
Lazard Freres et Cie., 121 Bd. Haussmann, 75382 Paris, Cedex 08.
Banque Vernes et Commerciale de Paris S.A., 82 avenue Hoche, 75008 Paris.
Credit Suisse, Lausanne, Switzerland.
Lloyds Bank (Belgium) S.A., 2 avenue de Tervueren, 1040 Brussels.
Banque Generale du Luxembourg, 14 rue Aldringen, Luxembourg,

and that he does not hold the same in trust or as agent for any other person directly or indirectly and giving his name and address, the number of the warrant and number of the shares included therein signed by him, together with a certificate signed by such Depositary that the share warrant is and will be retained in such custody until after the Meeting or any adjournment thereof shall have been held.

There shall be delivered to the holder of a share warrant to bearer who has complied with the foregoing requirements a certificate stating his name and address and the number of shares represented by the share warrant so deposited by him and such certificate shall entitle him to attend and vote at the Meeting in the same way as if he were a registered member of the Company in respect of the shares specified in the said certificate.

Forms of proxy for use by holders of share warrants to bearer and copies of the Scheme of Arrangement and the Statement required to be furnished pursuant to Section 207 of the Companies Act 1948 may be obtained from the Registered Office of the Company and any of the above mentioned offices of Lazard Freres et Cie., Banque Vernes et Commerciale de Paris, S.A., Credit Suisse, Lloyds Bank (Belgium) S.A. and Banque Generale du Luxembourg during usual business hours on any day (other than a Saturday, Sunday or public holiday) prior to the day appointed by the Meeting. Any form of proxy lodged by a holder of a share warrant to bearer who does not hold a certificate as to his entitlement to attend and vote at the Meeting shall not be valid.

It is requested that forms appointing proxies be lodged with the Company by both registered holders and holders of share warrants to bearer at its Registered Office, 136 West George Street, Glasgow G2 2HF, not less than 48 hours before the time appointed for the Meeting.

The Court has authorised the Meeting to appoint its own Chairman and has directed the Chairman so appointed to report the result thereof to the Court.

The said Scheme of Arrangement will be subject to the subsequent approval of the Court.

Dated 30th May, 1980.

McGRIGOR DONALD & CO.,
224, Ingram Street,
GLASGOW G1 1JP,
Solicitors to the Company.

**GERMAN GOVERNMENT INTERNATIONAL 5½% LOAN 1930 (YOUNG LOAN) BRITISH ISSUE**

Further to the notice concerning the above Bonds which was published on 15th April 1980, the Bank of England announce that the Conversion Bonds which became due for redemption on 1st June 1980 and Coupon No. 55 in respect of six months' interest due on 1st June 1980 are payable at the following rates:—

| Nominal Amount of Bond | Actual amount at which Bond is payable |
|---|---|
| £100 | £363.24 |
| £500 | £1,816.16 |
| £1,000 | £3,632.34 |

| Nominal Amount of Coupon | Actual amount at which Coupon is payable |
|---|---|
| £2:15:— | £8.17 |
| £13:15:— | £40.86 |
| £27:10:— | £81.73 |

The above values for Bonds and Coupons have been established by the Bundesschuldenverwaltung with reference to paragraph (c) of Article 13 of the London Agreement on German External Debts dated 27th February 1953 and Article 2 of Annex 1 thereto, by recalculating the sterling amounts due to Bondholders on the basis of the middle rate of exchange for sterling against the Belgian franc ruling for cable transfers in Brussels on 2nd June 1980.

As announced in the notice published on 15th April 1980, the Trustee has advised the Bank of England that it is unable to agree with the basis and method of recalculation of the amount due which have been applied by the Bundesschuldenverwaltung as from 1st June 1978. The rights of Bondholders to any additional amounts which may become payable have, therefore, been reserved by the Trustee, irrespective of whether Bonds or Coupons due 1st June 1980 are presented for payment or not.

In view of the possible adjustments which may be made at a later date, details of the holders of all Bonds and Coupons lodged for payment should be retained by the presenters.

Bondholders may wish to refer to the Trustee's notice published on 30th May 1980.

Bank of England.
June 1980.

**THE CONVERTIBLE BOND FUND N.V.**
Incorporated with Limited Liability in the Netherlands Antilles

Shareholders in the Fund are convened to attend an Extraordinary General Meeting of shareholders to be held on Friday 27th June, 1980 at 10.00 a.m. at the registered office of the Fund at Pietermaai 15, Willemstad, Curacao, Netherlands Antilles.

The items on the agenda cover changes to and authorisations under the Articles of Association, and subsequent liquidation of the Fund.

In order to attend the meeting in person or by proxy and to have their votes registered at the meeting, holders of bearer shares must deposit their share certificates (or a deposit receipt for their share certificate), mentioning their names, addresses and nationalities at the registered office of the Fund not later than 23rd June, 1980.

A copy of the letter being sent to shareholders explaining the proposals to be put to the meeting will be sent on application to the above address or to any member of the Board of Management.

By order of the Board of Management.
Curacao.
4th June, 1980.

## EDUCATIONAL

# THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

# Why foreign companies are beating a path down Mexico way

**William Chislett looks at the potential for joint ventures in Mexico and outlines the experience of Britain's GEC**

THE RUSH is on to establish joint ventures in booming, oil-rich Mexico. New foreign investment this year is officially estimated at U.S.$1.2bn, a 48 per cent rise over last year's $810m—a clear sign of the international stamp of approval now being given to Mexico.

Sir Arnald Weinstock, whose visit to Mexico filled him with enthusiasm for the country.

Business executives are filing through Mexico City in an endless procession to seek out the possibilities of setting up joint ventures. So great is the flow that at times the offices of the foreign investment committee in the industry ministry, Western embassies and lawyers' practices seem like New York's Grand Central Station.

But setting up a joint venture is no easy matter, as many companies are discovering to their dismay. As in all developing countries, the bureaucratic hurdles in Mexico are formidable, the time and effort needed is considerable and the cultivating of contacts can be exasperating.

Furthermore, Mexico will not pursue an "open door" foreign investment policy. More often than not businessmen arrive in Mexico with surprisingly misconceived ideas; these are quickly dispelled in meetings with Mexican officials.

Few countries are as nationalistic as Mexico, living as it does in the shadow of the U.S., its traditional foe. The exceptions to the law, which limits foreign participation in a joint venture to 49 per cent, can be counted on the fingers of two hands.

The Government recently rejected membership of the General Agreement on Tariffs and Trade (GATT) as much on nationalistic grounds as anything else. The economy remains highly protected.

Foreign participation in the Mexican economy is a highly sensitive political issue. The government feels that it can afford not to be more hospitable towards foreign companies since Mexico is blessed with oil. This year the oil export revenue from Pemex, the State oil monopoly, could be as high as $11bn compared with $3.8bn last year.

Nevertheless the restrictive foreign investment policy is not discouraging the formation of joint ventures, although foreign businessmen are finding that there is not a great supply of suitably experienced partners. There are few economies in the world today which are growing by 8 per cent a year in real terms, as Mexico's is forecast to do this year for the second year running.

The other substantial carrots are political stability and very attractive financial inducements. There are no restrictions on remittance of profits, repatriation of capital and convertibility of exchange.

Domestic fuel prices are also heavily subsidised. For example, top grade petrol is 37p a gallon and its price has not risen since 1976.

Examples of British investment include Fletcher and Stewart, part of the Booker McConnel Group, which recently started a joint venture in sugar production; the Weir Group last year established a joint venture to produce steel castings; Dale Electric is in the process of establishing a joint venture to manufacture generator sets; Inchcape is in a similar position for a joint venture trading company and Dowty Mining will shortly sign an agreement to make roof supports for coal mines.

The investment potential is illustrated by the fact that this week the CBI, the British Chamber of Commerce in Mexico, Nacional Financiera, the Mexican Government's development bank, and the Mexican industry ministry are holding a conference in London and Birmingham to discuss business opportunities in Mexico.

Possibly the most interesting presence in Mexico and one which is a pointer to the tremendous potential for foreign participation in the Mexican economy is that of GEC, the giant British engineering and electronics company.

Many of the 181 companies under the GEC umbrella have done substantial business with Mexico over recent years, particularly Ruston Gas Turbines which has had a joint venture maintenance facility in Mexico for several years. Marconi has also done excellent business in supplying studio equipment for TV channels and GEC Medical Equipment sells X-ray appartus.

GEC has several agents for different parts of the group who, until recently, all tended to act independently of each other and some of whom did not know each other. This inevitably led to confusion in the Mexicans' mind, since several agents from GEC would sometimes be pursuing the same client for different business but all ultimately reporting to the same corporate company.

Glyn Genin

Mexico's rapidy growing oil industry (above, near Villahermosa) istransforming the country's economy, but no joint ventures with foreign companies are allowed in petroleum and basic petrochemical industries. Other sectors reserved either for the State or for Mexicans are electric energy generation and distribution, telecommunications, railways and radioactive minerals. Only wholly owned Mexican business enterprises can operate banks, insurance, bonding, and investment companies, TV and radio stations, and freight transport. In mining in the national reserve areas, the maximum foreign participation is limited to 34 per cent.

At the beginning of 1979 GEC's managing director, Sir Arnold Weinstock, visited Mexico after receiving reports about the Mexican economy which whetted his appetite. Sir Arnold had a series of high-level meetings with the public and private sector and came away enthusiastic about Mexico's potential.

A few months later GEC decided to have a corporate "man-on-the-spot," Harry Codd, whose role would be to act as a liaison for the different sections of GEC. He would identify the areas where joint ventures could be established, and put the two sides in touch.

In July GEC will establish a corporate joint venture with leading private and public sector concerns, as yet unidentified. These same organisations or individuals have been picked so that they can go on to form joint ventures with the different parts of GEC.

In the year since Codd, previously chairman of GEC Transportation Projects, came to Mexico, he has set in motion discussions for possible joint ventures to produce locomotives, traffic equipment, prefabricated health clinics for rural areas and low pressure sodium lighting—all high growth areas where Mexico needs technology.

GEC's example illustrates the importance of having a man on the spot who can fly the company flag and establish contacts. "Mexicans now at least know what GEC is," he says.

A vital element in a successful joint venture is what can only be described as the "chemistry" between the two partners. It is like a marriage and the cliche is more valid in Mexico than in most developing countries.

Companies have failed to make it to the altar because of irreconcilable differences and some joint ventures are set up only to run into difficulties soon after the wedding.

## Domiciled

In order to minimise this risk, companies need to have an executive domiciled in Mexico City to prepare the groundwork and sound out potential partners. It also pays to lure the chairman of the company to Mexico to do some of the courting of the Mexican partner. "Mexican businessmen do like to be courted, but not too blatantly," said a British merchant banker.

Lord Weir, chairman of a leading Scottish engineering group, went fishing for three days in the U.S. with his Mexican counterpart after the initial contacts had been made at a much more junior level. Subsequently a joint venture was set up.

The main problem in joint vetures, say well established law firms like Goodrich, Requelme and Associates, the only Mexican company with permanent offices in Paris and London, is financial Since foreign companies are limited to 49 per cent it is very important that the charter between the two sides explicitly spells out the financial arrangement

Also a generous allowance needs to be made for extra cost, otherwise when problems are encountered the Mexican partner will often not continue with financial support and, for the sake of its reputation, the foreign partner is left with the burden of pumping in the extra working capital.

Given the restrictive foreign investment policy, companies are advised to have certain guarantees built in to their contracts. These should include safeguards that no significant decision can be taken without minority agreement and that neither side can sell shares without first offering them to the other and at a price previously agreed upon. If the foreign partner does not receive permission to increase his capital to more than 49 per cent — which he will not — then he should have the right to have a say in who will be the new Mexican partner. It should also be possible for a foreigner to hold the job of general manager and other key executive positions.

Generally the Government is inflexible about allowing foreign companies to hold more than 49 per cent of a Mexican company. This is so even when a company fulfills all the law's requirements about the number of jobs, percentage of exports, bringing in technology—which is much needed—and setting up in an underdeveloped part of the country.

It is understood that there have been 16 exceptions made since the foreign investment law was changed to the 49 per cent level. Prior to that companies could be 100 per cent foreign owned.

However those companies which set up before the 1973 law—which is not retroactive—are invariably allowed to expand their existing operations without having to "Mexicanise." But new (post 1973) companies have to stick to 49 per cent.

There is, however, one way in which foreign companies can establish a 100 per cent owned company in Mexico and that is to set up what are called "in-bond" industries, which are able to import duty free. But they are exclusively export-orientated and cannot become involved with the attractive, highly protected domestic market.

In order to encourage the creation of jobs and boost exports, the Government allows 100 per cent foreign ownership if a company brings in over 60 per cent of its imports and re-exports its total finished product output.

"In-bond" companies are almost all located near the border with the U.S., although they can be set up anywhere in the country, because the U.S. is both the source of the great bulk of imports and the major export market.

Companies in the "in-bond" sector will contribue an estimated $1.3bn to the Mexican economy in value added re-exports.

Very few non-U.S. companies are in the "in-bond" sector, but Japan is beginning to make inroads. Matsushita is setting up an "in-bond" TV chassis plant; a Sony plant came into operation this year and Honda is studying the idea.

**BUSINESS PROBLEMS**

**BY OUR LEGAL STAFF**

## Importance of VAT receipt

**I was quoted £432 for a gas boiler including £32 VAT—but the vendor (a registered VAT trader) offered to supply it for £366 on an uninvoiced cash basis enabling him—he said—to avoid VAT "etc." Then some eighteen months after my purchase I was informed that the transaction had been passed through the vendor's books and VAT paid. On learning this I asked for a receipted VAT invoice covering my payment of £366 but this has been refused. Can I insist on being provided with a receipted VAT invoice which I am anxious to have as confirmation that the matter has been regularised with Customs and Excise and as a document of possible use when I shortly endeavour to resell the boiler?**

You overestimate the importance of receiving a VAT invoice. If you wish to sell the boiler which you have purchased, the purchaser from you will not be concerned as to whether the supplier to you had correctly dealt with VAT. This is none of his concern. All that he will be interested in is that you are the owner of the boiler. From a technical point of view, the only person who can insist on a VAT invoice is a person who is registered for VAT himself.

## Valuation cover

**I am in the process of setting up a small business which involves "restoring" old or antique items, mainly glass, the exact value of which is difficult to determine.**

**Until I arrange insurance—once I know the extent to which I should be covered—I obviously wish to limit my liability should breakages occur. If I ask clients to sign a form on which they have given their own valuation, could you please tell me if (a) the customer's original assessment of the value would be held as binding, or could an external valuer be brought in after breakage has occurred; (b) the customer could change his valuation of the item over a short space of time (two to three weeks).**

If your form expressly states that liability is limited to the lower of the true value and the customer's valuation stated on the form, you would not be liable for a revised value, or for the true value based on a third party's valuation unless that were less than the stated value.

*No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.*

LOMBARD

# The IMF's role in recycling

BY DAVID MARSH

CALLS FOR the International Monetary Fund to boost its lending have been proliferating this year as soaring oil prices and emergent recession in the West push the debt-ridden developing countries deeper into deficit.

The exhortations normally come wrapped up with warnings of doom around the corner. The international banks say they are no longer willing to maintain the momentum of lending to the big Third World borrowers unless the official institutions play a greater role.

Even the IMF itself is now casting around for new resources to meet an expected upsurge in borrowing demand.

## Predicament

Very likely there will be an increase in IMF lending over the next year or so compared with the recent pitifully low levels. But it is well worth underlining that the financial predicament of the non-oil less-developed countries (LDCs) is not quite as black as conventionally painted. Their readiness to run into the arms of the IMF—and to pay higher margins on loans from commercial banks—may be somewhat lower than stability-minded members of the financial establishment would like.

The first point to note is that the calls for the IMF to do more lending are hardly new. As long ago as January 1977, Mr. Gordon Richardson, the Bank of England governor, for instance, was telling bankers in London that "official facilities will have to be used more widely." He has since repeated this view on several occasions, in strikingly similar terms.

In the meantime, of course, the Fund — on a global scale, at least — has been rather inactive. Deficit countries have been able to raise large loans more quickly and without conditions (though not, it should be noted, more cheaply) from the ever more liquid Euromarket. As a result, repayments to the Fund of past loans have actually exceeded its new lending during the past three years.

The second point to underline is the shakiness of the statistical battleground on which much of the debate about LDC debt has been fought.

The combined current account deficit of the non-oil LDCs this year, estimated at some $60bn, looks horrifying enough compared with the $25bn to $30bn in 1974-75 after the first oil crisis. But adjusted for inflation (running at an average 10 per cent a year within the OECD area during the past five or six years), the deficit this year will be only around 25 per cent higher in real terms than in 1974-75. That corresponds quite closely with the real growth of several of the larger LDC economies during that time.

To help cushion the impact of this year's (and next year's) deficit, the non oil ldcs have a far greater volume of foreign exchange upon which to draw than in 1975. They have used the liquid borrowing conditions of the past few years to make large increases in reserves, which totalled nearly $80bn at the end of last year against only $29bn at the end of 1975 (up by 100 per cent in real terms).

These increases in reserves have largely been redeposited with the international banking system. As a result, the *net* liability position of the non oil ldcs with the Euromarket banks, at $70bn according to the latest figures from the Bank for International Settlements, is much lower than their gross indebtedness of nearer $160bn. It has also been growing more slowly—about 12 per cent a year in real terms since 1975. Significantly enough, almost the whole of this net lending is concentrated on four countries —Brazil, Mexico, the Philippines and South Korea.

## No panacea

Thirdly, it should not be assumed that bankers can cease to worry just because the borrowing country has accepted the IMF's conditions. Recent events in Korea are instructive. IMF officials were delighted earlier this year when they persuaded Seoul to come early to the Fund for a substantial standby credit. After last month's rioting, however, it is a safe bet that international bankers place the Fund's seal of approval rather low down the list of factors affecting the Korean credit rating.

# High season for the iris

THE NEXT two weeks are the high season for the iris. They are also weeks in which you should be keeping an open eye. By mid-July clumps of iris will be ready for division; so if you see a good one in flower, mark it and try to beg a piece from its owner by telling him, truthfully, that division will be good for his old clump. You only need one rhizome with an accompanying fan of leaves. Most nurseries send out miserably small bits of iris at a high price because the postage and packing are prohibitive.

You will save two years and your money by swapping pieces with your friends. They are best divided in mid-July not immediately after flowering as many books advise. By then, their roots have had time to build up to their greatest strength.

In small gardens, however, irises pose two problems. Their season is short and their clumps take up too much room. They are happier in sun, not shade, so the room which they occupy is the best in the garden. Hence modern gardeners are becoming shy of planting too many of them, a habit into which I, too, have fallen. But there are ways round each of their disadvantages.

The season is easily extended, not just by planting a wider range of the iris's many varieties, but by interplanting in the beds themselves. You can easily grow a surface-rooting annual between iris clumps if you give it water at first. Night-scented stock and the deep blue phacelia are two of the best choices. I have also seen a fine run of the violet-blue Swan River Daisy, that neglected annual, used as filling between the prince of yellow irises, the Sunshine. It contrasted well with the firm line of the iris leaves out of season. You should stop your clumps of iris encroaching on each other, preferably by giving pieces away to other FT readers.

There is less labour, however, in an interplanting of two blue-flowered perennials, each of which can be raised by the hundred from packets of seed. The plain blue flax is about to begin its long season from June until August and can be grown easily in the dry spaces between irises where its light leaves and slender stems sit very prettily. The more you plant, the more they will seed themselves after a year. Like the iris, the flax likes sun, lime and light soil.

The various blue forms of *Campanula persicifolia* are more solid when in flower but just as good and extend the season well into July. They, too, have the shallow root system which can run freely through the mats of larger irises. An annual like the small yellow and white *Limnanthes* could keep things going until autumn.

Obviously, you will not bother with these fillings if you have a large iris border. You will be more concerned to keep weeds out, for which you can use a weak solution of simazine in a brand such as Weedex on the bare patches between the iris clumps. If applied on wet ground, it will block out most weeds for a season without upsetting the irises around it.

If you have a smaller border, you will be more worried about loss of space. In order to save yourself room, I would direct you to V. H. Humphreys, 8, Howbeck Road, Arnold, Nottingham.

Mr. Humphreys is the king of small iris growers in this country. His recent exhibit at the Chelsea Show brought him once again to a wider audience, though it may have escaped the crowds that there was such good value in his stunted varieties of border iris, ranging from 6 inches to 2 ft.

Breeders have been busier with these smaller sorts than with almost any other, and I still think that the recent flood of American novelties has not yet filled a good market. Novelty and a small demand keeps the newest varieties to £5 a plant, but there are older ones for 40p upwards and even a brand new one can soon be split up into many flowering clumps.

They are very easy to grow. They like a sunny, dry place, lime and a position which allows their mat of rhizomes to rest on the surafce of the soil. Do not bury them, but anchor them, rather, by their roots so that they are exposed to the sun. Otherwise their flowers will be fewer.

If you are planting irises for the first time, inspect a clump in a good public garden and check how you should rest the rhizome on a flat saddle of earth down either side of which the roots can extend deeper into the soil. If you do not know a good public garden, you have my sympathy, but you should swallow your pride and ask a friend to help.

The small bearded and lilliput classes of iris grow six inches and a foot high respectively. Anybody has room for them but few gardeners have yet woken up to the colours which have been developed here in the past 12 years. At Chelsea, I was impressed by the new Blue Pools, a variety which was bred in the UK to the most elegant shape and combination of white with a blue spot. I am not surprised to find Mr. Humphreys' list remarking that "a clump of this variety is a mas of laughing eyes." At £2.50 each it has to be good.

Among older blues, I thought the early-flowering Arnold Velvet, the clear Blue Denim and the ruffled flowers of Tinkerbell were all worth a place. You can mass these as edging plants or place them in the paving of a front garden. The pick of them all is Green Spot, now only 40p and extremely free with waxy white flowers which are marked with pure green on the beard.

Good reds, as yet, are harder to come by, but Cherry Garden is at least as good as the newer attempts. It has large flowers but there is no mistaking the depth of the red.

These smaller varieties are matched by the neglected group of table varieties which stop conveniently at a height of two feet. Mr. Humphreys described Day Star as "a cute little runt" in the cream-coloured range, but that should not deter you from other splendid varieties such as Lodestar which combines scarlet and yellow or Parakeet which pairs buff and orchid-pink. In the front of a border these varieties make a strong impact in the weeks before the roses. Afterwards, you can train violas and some late lobelia around their clumps and hardly notice the gap.

If you think, then, that irises are too large and too short-lived to be worth while, you are still living in the 1930s. In fact, these smaller groups are still wide open for breeders and marketers and there can hardly be a reader's garden which would not be the better for an interest in their new potential.

GARDENS TODAY

BY ROBIN LANE FOX

*Two examples of the iris.*

# Garrido shows most appeal

RACING

BY DOMINIC WIGAN

HEATH HOUSE, a maiden who refused to race when swerving at Folkestone on Monday, was the only absentee at the final declaration stage for today's far-from-inspiring Derby.

Although the colt's non-appearance has reduced the field to 24 and possibly lessened the chances of serious interference being caused in the early stages, the race could hardly look more open. Indeed, such is the divergence of opinion over the likely outcome that any one of three colts—Henbit, Nikoli and Monteverdi—could go to post as favourite.

My own guess is that Nikoli will displace the long-time market leader, Henbit, officially *favoured*.

In spite of the solid claims of the last-named pair (something that can hardly be said of Piggott's mount Monteverdi), the race looks difficult to solve. Backers are probably best advised to search for win and place value among those outsiders with realistic hopes.

The two I have most regard for in that category are Rankin and Garrido. Rankin, whose dam, Cup Cake, won on the level in France before scoring over jumps, caught my eye with a spirited display in the Predominate Stakes won by Prince Bee at Kempton.

Garrido is one of the most difficult in the field to assess.

An impressive winner of a newcomers' event over a mile at Saint-Cloud on his sole juvenile appearance, this Italian-bred colt showed nothing on his seasonal debut. But he produced vastly improved form in the Longchamps Prix Greffulhe and the Italian Derby. Fifth and the fastest finisher in Paris when a 33-1 chance over a trip short of his optimum, Garrido made no mistake in Rome.

Francois Boutin, without doubt one of the greatest post-war trainers seen in France, would not be saddling Garrido were he not confident of a prominent effort. Further encouragement can be had from the fact that he was more than satisfied by his colt's final fast piece of work.

**EPSOM**

2.00—Barnet Heir**
2.35—Sacrilege
3.35—Garrido***
4.20—Rosewing
4.50—Bonnie Isle
5.25—Charles Street*

# TV Radio

+ Indicates programme in black and white

## BBC 1

6.40-7.55 am Open University (Ultra high frequency). 9.35 For Schools, Colleges. 11.25 You and Me. 11.40 For Schools, Colleges. 1.15 pm News. 1.30 Heads and Tails. 2.01 For Schools, Colleges. 3.53 Regional News for England except London). 3.55 Play School (as BBC-2 11.00 am). 4.20 Heyyy, It's the King. 4.30 The Record Breakers. 4.55 John Craven's Newsround. 5.05 Huntingtower. 5.35 The Wombles.

5.40 News.
5.55 Nationwide (London and South East only).
6.20 Nationwide.
6.45 The Wednesday Film: "Assault On A Queen," starring Frak Sinatra.
8.30 Lena, starring Lena Zavaroni.
9.00 News.
9.25 A Moment In Time by H. E. Bates.
10.20 Sportnight.
11.10 News Headlines.
11.12 Target.
12.02 am Weather / Regional News.

All Regions as BBC-1 except as follows:—

Cymru / Wales — 5.55 - 6.20 pm Wales Today. 6.45 Heddiw. 7.15 Ask the Family. 7.40-8.30 High Chaparral. 12.02 am News and Weather for Wales.

Scotland — 1.10-1.15 pm The Scottish News. 5.55-6.20 Reporting Scotland. 12.02 am News and Weather for Scotland.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 12.02 am News and Weather for Northern Ireland.

England — 5.55-6.20 pm Look East (Norwich); Look North (Leeds, Newcastle); Look Northwest (Manchester); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

## BBC 2

6.40-7.55 am Open University.
10.20 Gharbar.
11.00 Play School.
4.50 pm Open University.
6.55 Swim.
7.20 Mid-Evening News.
7.30 Dance Month.
8.10 Reputations. Robert Kennedy: The Last Best Hope?
9.00 Midweek Movie: "The Abdication," starring Peter Finch.
10.40 Cartoon Two.
10.45 Newsnight.
11.30 Open Door.

## LONDON

9.30 am Schools Programmes. 11.55 Barney Google and Snuffy Smith. 12.00 Cloppa Castle. 12.10 pm Rainbow. 12.30 Camera: Early Photograph. 1.00 News. plus FT Index. 1.20 Thames News. 1.30 Derby Day 1980. 4.45 Breakers. 5.15 The Brady Bunch.

5.45 News.
6.00 Thames News.
6.25 Help!
6.35 Crossroads.
7.00 The Plank.
7.30 Coronation Street.
8.00 Arrival 2.
9.00 The Mexicans (report from John Pilger).
10.00 News.
10.30 Shelley.
11.00 "The Savages," starring Andy Griffith.
12.25 am Close: Personal choice with Denise Coffey.

All IBA Regions as London except at the following times:—

### ANGLIA

1.20 pm Anglia News. 5.15 Barney Miller. 6.00 About Anglia. 11.00 Motorway. 12.00 Police Surgeon. 12.30 am The Big Question.

### ATV

1.20 pm ATV Newsdesk. 5.15 How's Your Father ? 6.00 ATV Today including Police Five. 11.00 ATV Newsdesk. 11.05 Barney Miller. 11.35 Wheels.

### BORDER

1.20 pm Border News. 5.15 Cartoon. 5.20 Crossroads. 6.00 Lookaround Wednesday. 11.00 Last Post for the 51st. 11.30 Police Surgeon. 12.00 Border News Summary.

### CHANNEL

1.20 pm Channel Lunchtime News, What's On Where, and Weather. 5.15 Happy Days. 6.00 Report At Six. 10.28 Channel Late News. †11.00 Feature Film: "Town on Trial." 12.40 am News and Weather in French followed by Epilogue.

### GRAMPIAN

9.25 am First Thing. 1.20 pm North News. 5.15 Happy Days. 5.40 Police News. 6.00 North Tonight and Area Weather Forecast—including mid-week sports round-up. 7.00 St. Valery: Last Post for the 51st. 11.00 Reflections. 11.05 Barney Miller. 11.35 Wheels. 12.05 am North Headlines.

### GRANADA

11.50 am Cartoon. 1.20 pm Granada Reports. 5.15 pm How's Your Father? 6.00 Granada Reports. 6.30 This Is Your Right. 11.00 The Wednesday Film.

### HTV

1.20 pm Report West Headlines. 5.15 Dick Tracey. 5.20 Crossroads. 6.00 Report West. 6.30 A Sharp Intake of Breath. 11.00 Police Story.

HTV Cymru/Wales—As HTV West/HTV General Service except: 10.33-10.48 am abc. 11.55-12.10 pm Ffalabalam. 1.20 Penawdau Newyddion Y Dydd. 1.25-1.30 Report Wales Headlines. 4.45-5.15 Ni A Nkw. 6.00 Y Dydd. 6.15-6.30 Report Wales.

### SCOTTISH

1.20 pm News and Road and Weather. 5.15 Popeye. 5.20 Crossroads. 6.00 Scotland Today. 6.30 Emmerdale Farm. 11.00 Last Post For The 51st. 11.30 Late Call. 11.35 Wheels. 12.05 am Police Surgeon.

### SOUTHERN

1.20 pm Southern News and Weather. 5.15 Mr. Magoo Cartoon. 5.20 Crossroads. 6.00 Day By Day. 6.35 Scene Midweek (South-east area only). 11.00 Police Surgeon. 11.30 Wheels.

### TYNE TEES

9.20 am The Good Word followed by North-East News. 1.20 pm North-East News and Where The Jobs Are 5.15 Laverne and Shirley. 6.00 North-East News. 6.02 Crossroads. 6.25 Northern Life 10.30 North-East News. 11.00 Power Without Glory—following the life of John West. 11.55 Music In Progress. 12.30 am Epilogue.

### ULSTER

1.20 pm Lunchtime. 4.43 Ulster News Headlines. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Ulster Television News. 6.15 Sounds Of . . . Diana Kirkwood. 6.30 The Flintstones. 10.29 Ulster Weather. 11.00 Celebrity Concert: Cleo Laine. 11.55 Bedtime.

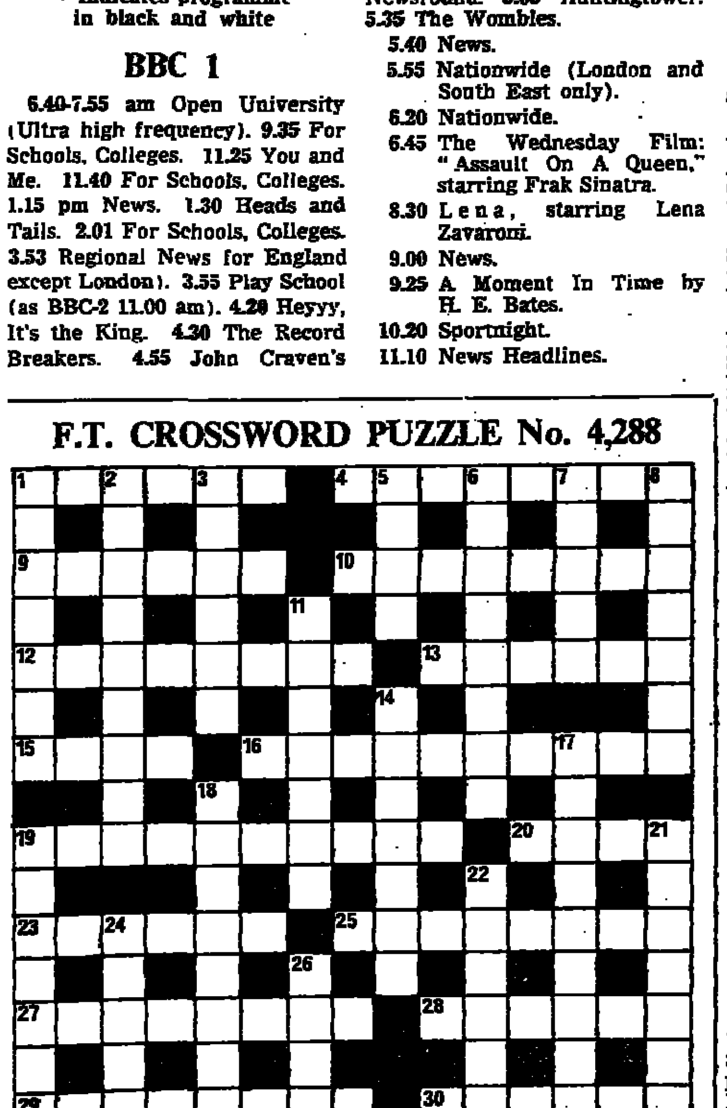
### WESTWARD

1.20 pm Westward News Headlines. 5.12 Gus Honeybun's Birthdays. 5.15 Happy Days. 6.00 Westward Diary. 10.28 Westward Late News. †11.00 Feature Film: "Town On Trial," starring John Mills. 12.40 am Faith For Life. 12.45 West Country Weather and Shipping Forecast.

### YORKSHIRE

11.55 am Cartoon Time. 1.20 Calendar News 5.15 Survival. 6.00 Calendar (Emley Moor and Belmont editions). 11.00 SWAT.

## F.T. CROSSWORD PUZZLE No. 4,288



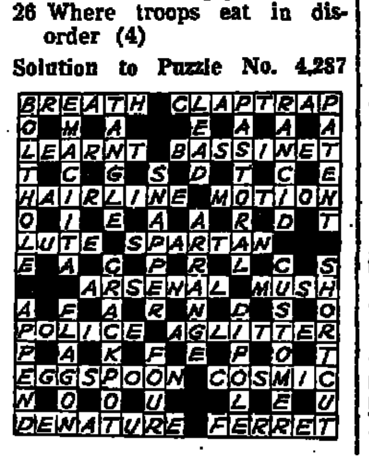
**ACROSS**

1 Sounds like a heavy smoker's chest! (6)
4 Sound of bell in fight (4-4)
9 Three times as much gas in a moment (6)
10 Stable I must take on for horse (8)
12 Permit to transfer wine (8)
13 Hoop in iron border (6)
15 Protective garment used in blow from the west (4)
16 Fills up cash-register without moving (5-5)
19 Precious metal edge used in a joint (10)
20 Split in direction before the finish (4)
23 Not at home with a clique from the start (6)
25 Cessation of work to check buttons (8)
27 At a former time finished a scrutiny (4-4)
28 Partition off something that's great in the U.S.A. (6)
29 Cruel fish I destroy within (8)
30 Herb or stiff grass around the north-east (6)

**DOWN**

1 Dupe a pussyfoot (4-3)
2 Anticipate everyone following Nottingham F.C. (9)
3 Expect to change and leave out (6)
5 Minute article contained in Riot Act (4)
6 Metallic reed created by the would-be rich (4-4)
7 His belt has three stars (5)
8 Well-bred chap going to fish (7)
11 Demonstrate in favour of important match (7)
14 Acrimony involved in city aid (7)
17 Dwelling upon it and eastern leader's allowance (9)
18 County town of cattle (8)
19 Exhibition cancelled by ostentatious person (4-3)
21 The most cunning river nuisance (7)
22 Joint left in spice (6)
24 Goddess in empty chest (5)
26 Where troops eat in disorder (4)

Solution to Puzzle No. 4,287



## Radio Wavelengths

| | | |
|---|---|---|
| 1 1053kHz/285m 1089kHz/275m | 3 1215kHz/247m & 90-92.5vhf stereo | BBC Radio London: 1458kHz, 206m & 94.9vhf |
| 2 693kHz/433m 909kHz/330m & 88-91vhf stereo | 4 200kHz/1500m & 92-95vhf | Capital Radio: 1548kHz 194m & 95.8vhf |
| | | London Broadcasting: 1151kHz, 261m & 97.3vhf |

(S) Stereophonic broadcast

### RADIO 1

5.00 am As Radio 2. 7.00 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett. 2.00 pm Andy Peebles. 4.31 Paul Gambaccini. 7.00 Radio 1 Mailbag. 8.00 Mike Read. 9.50 Newsbeat. 10.00 John Peel (S). 12.00-5.00 am As Radio 2.

### RADIO 2

5.00 am News Summary. 5.03 Ray Moore (S). 7.32 Terry Wogan (S). 10.03 Jimmy Young (S). 12.03 pm David Hamilton (S). 2.03 Derby Special with Ed Stewart and Isla St. Clair (S) including 2.35 Daily Mirror Handicap Stakes: 3.35 The Derby; and 2.45, 3.45 Sports news. 4.03 Much More Music (S). 5.00 News. 5.06 Much More Music (S) (continued). 6.03 John Dunn (S). 8.02 Listen To The Band (S). 8.45 Alan Dell with Dance Band Days. 9.15 Among Your Souvenirs (S). 9.55 Sports Desk. 10.02 Punch Line. 10.30 Hubert Gregg says Thanks for the Memory. 11.02 Brian Matthew with Round Midnight, including 12.00 News. 2.02-5.00 am You And The Night And The Music (S).

### RADIO 3

†6.55 am Weather. 7.00 News. 7.05 Your Midweek Choice, part 1 (S). 8.00 News. 8.05 Your Midweek Choice, part 2 (S). 9.00 News. 9.05 This Week's Composer: Schumann (S). 10.00 Music For Organ (S). 10.45 John Sheppard concert (S). 11.30 Midday Concert, part 1 (S). 12.10 pm Interval Reading. 12.15 Concert, part 2. 1.00 News. 1.05 Concert Hall (S). 2.05 Music Weekly (S). 2.55 Fifty Years of British Music (S). 3.45 BBC Northern Symphony Orchestra (S). 4.55 News. 5.00 Mainly For Pleasure (S) († and mono only from 6.20). 7.00 Music Now: A study of Benjamin Britten. 7.45 Havergal Brian on record (S). 8.20 Six Continents. 8.40 Debussy and Ravel piano and violin recital (S). 9.40 A Musical Ramble (S). 10.00 Music In Our Time (S). 11.00 News. 11.05-11.15 Schumann (S).

VHF only—Open University. 6.00-7.00 am and 6.20-7.00 pm and for Scottish students only 12.00-1.00 am.

### RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping forecast. 6.30 Today, including 6.45 Prayer for the Day, 7.00, 8.00 Today's News. 7.30, 8.30 News headlines. 7.45 Thought for the Day. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Mid-week With Russell Harty. 10.00 News. 10.02 Gardeners' Question Time. 10.30 Daily Service. 10.45 Story Time. 11.00 News. 11.05 Baker's Dozen. 12.00 News. 12.02 pm You And Yours. 12.27 Just A Minute (S). 12.55 Weather; programme news. 1.00 The World At One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Listen With Mother. 3.15 Afternoon Theatre (S). 4.00 Choral Evensong (S). 4.45 Short Story. 5.00 PM News magazine. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 My Music (S). 7.00 News. 7.05 The Archers. 7.20 Checkpoint. 7.45 Person To Person. 8.45 File On 4. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 The Jason Explanation of Showbusiness (S). 11.00 A Book At Bedtime. 11.15 The Financial World Tonight. 11.30 Today In Parliament. 12.00 News.

### BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 10.03 The Robbie Vincent Telephone Programme. 1.03 pm London Live. 4.30 London News Desk. 5.35 Look, Stop, Listen. 7.03 Black Londoners. 8.00 Question Time from the House of Commons. 9.00-5.00 am Join Radio 2.

### London Broadcasting

6.00 am AM with Bob Holness and Douglas Cameron. 10.00 Brian Hayes. 12.00 LBC Reports. 8.00 pm Jazz After Eight—Keith Howell including Vintage Jazz Corner. 9.00 Mike Dickin—Nightline: Guests include Mark Boillet and John Halliday, Mortgage Brokers, plus Leader of the Liberal Party, David Steel. 12.00 LBC Reports Midnight. 1.00 am Night Extra. 5.00 Morning Music.

### Capital Radio

*6.00 am Graham Dene's Breakfast* Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash (S). 1.00 pm London Today First Report (S). 1.10 Dave Cash (continued). 3.00 Roger Scott (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Nicky Horne's "Your Mother Wouldn't Like It" (S). 11.00 Tony Myatt's Late Show (S). 2.00 am Duncan Johnson's Night Flight (S).

Television

# A cultural 'howl-round' by CHRIS DUNKLEY

There is an excruciating electronic phenomenon known to sound technicians as "howl-round." Its effect is to convert any speech or music which is being conveyed via loud-speakers into an appalling noise somewhere between a whistle and a screech which is quite intolerable in its increasing intensity. If I understand correctly the explanations given to me, it occurs when the sound source is taken too close to the amplification system and some sort of electronic vicious circle is set up in which an ever growing volume of sound is perpetually chasing, overtaking, and adding to its own echo. The outcome is a diabolical crescendo which causes listeners, quite literally, to cover their ears.

It sometimes seems that television is creating a form of cultural howl-round which will, in the end, deafen us all if it doesn't drive us barmy first.

At its simplest the process accelerates the rate at which fads—particularly verbal fads—circulate. When you see an ex-convict on a current affairs programme saying of his criminality: "Well, smy failure wiv peer group relationships innit?" you know he spent his last spell in chokey watching sociology programmes on the telly.

Having turned "media" into a word which is so widely accepted as a singular noun that it is now possible to find oneself being "corrected" when using it as a plural, television is busy doing the same for "phenomena." Chris Goffey, one of the presenters of the Thames driving programme *Wheels*, talking blithely about "a new phenomena" last week, was only the latest in an expanding circle of broadcasters and viewers who have been busy feeding their mistake to one another for some time now.

On Friday, however, ITN produced a mistake which—to me, anyway—was brand new. Describing the flotilla of little ships revisiting northern France, the reporter declared that Churchill had said of Dunkirk "This was their finest hour." (What Churchill actually said of Dunkirk was: "We must be very careful not to assign to this deliverance the attributes of a victory. Wars are not won by evacuations.") But I shall be surprised if, within a matter of days, we do not hear someone else, someone who watched the ITN programme, repeating Churchill's hopeful description of the Battle of Britain as a factual description of the Dunkirk retreat.

Graham Hurley's sombre and non-jingoistic analysis of the events leading up to Dunkirk, *Comrades In Arms* (which, in the increasingly comical scramble of the ITV companies to thrust prestige programmes under the noses of those about to renew the franchises, found itself banished to the nether regions of Sunday afternoon) was presented by a man who might almost have been invented by a keen television viewer working exclusively from a knowledge of previous programmes. Richard Holmes looked just like Hunter Davies, waved his hands just like Magnus Pyke, and pounced on adjectives just like Alan Whicker, thus: "It was thee . . . *grimmest* footnote. To this whole . . . *mournful* campaign," and so on. Which is not to say that he did a bad job. but that the pronounced tang of the polytechnic about his lecturing style did not happen to suit my taste.

My preference is for presenters such as Huw Wheldon. Jacob Bronowski, Jack Hargreaves, John Berger, Alec Clifton Taylor, and W. G. Hoskins. Each proved to be an individual with a uniquely idiosyncratic way of expressing his deep knowledge, but I have a dreadful suspicion that if any of them were to come along new to television today they would not be acceptable because they do not line up with the infinitely reflecting images that are perceived by television nowadays when once channel peers into the double mirror set up by the other two.

This tendency for television to refer constantly to its own image and to rely more and more exclusively on feeding its own products back into a circular system has the effect not only of making programmes within one category look increasingly similar, it even makes different sorts of programmes look alike. Nowadays all television constantly aspires towards the condition of showbiz gossip. It becomes ever harder to distinguish between a "sports" programme such as Pro-Celebrity Golf which is devoted largely to showbiz chat, and a chat show such as *Parkinson* when it is devoted mainly to showbiz sport.

It was anything but surprising that the BBC chose chat-show host Russell Harty to present its coverage of this year's *Royal Academy Summer Exhibition*. The writing went up on the wall in January when BBC2 sent Peter Ustinov, Natalie Wood and her hairdresser to the Hermitage Museum in Leningrad. This column warned then that the BBC was well on its way down the road to *Pro-Celebrity Culture* and last week's Royal Academy programme was just another step. Harty chatted about the pictures with Irene from *The Forsyte Saga*. one of Harold Wilson's postmasters general. the butcher from *Dad's Army*, one professional footballer, one female novelist, one of *The Avengers* (the one with long beautiful legs and fur hur), and—almost as an afterthought—Sir Hugh Casson, the President of the Academy.

Only an hour earlier ITV had screened the first episode of a new series called *The Other 'Arf* which proved that if you put your mind to it you can even feed the commercials back into the ever-echoing circle and make programmes out of them. *The Other 'Arf* features Lorraine Chase, the cockney model from the Campari advertisement.

The idea of developing a booze ad into a full-blown comedy series seemed so unlikely that it came as something of a surprise to find Episode I producing a collection of good lines (particularly for Lorraine's Tory MP conquest and his Etonian pal: "Don't do that to me, I used to have a housemaster who did that to me" and of his fiancée: "I worship the ground she hunts on") and an impressive number of laughs. TV Times seems to have given up listing production companies and authors so it is hard to be sure, but I thought I saw the names of Clement and la Frenais whizz past on the credits.

Whatever its origins. it certainly makes a change to discover someone reversing the normal course taken by "personalities" such as Noel Edmonds, William Rushton. and (sadly) even René Cutforth, all of whom have regressed from programmes to the moneyed lowlands of the commercials. At least Lorraine Chase has screeched round the circle in the other direction from Campari to Terry Wogan's *Blankety Blank* and now onto her own series.

Clearly the system relies upon people such as Wogan to create the echoes which are fed back into themselves until they accumulate into a howl. Last Saturday on his new early evening chat show on BBC 1 he was busy promoting and recycling Barbara Woodhouse, the doggy lady in tweeds whose series about training dogs is being repeated on the same channel on Sundays. And of course it was Wogan who developed his repeated references to *Dallas* on his daily music and chat show on BBC Radio 2 into a running gag which contributed as much as any other single factor to the publicity blitz which softened up the public prior to the notorious "shooting of JR" episode.

In the event, as practically the entire adult population eventually discovered on Bank Holiday Monday, the most interesting aspect of this coyly delayed episode was the hype which had been used to sell it; the content was the usual far-fetched schlock tricked out in shrink-wrapped plastic gloss. Predictably enough the condition of JR and the identity of his assailant remain unknown and consequently provide powerful selling points for the next series.

There was just one feature of the whole affair which really was significant in the annals of television: the BBC re-ran the scene of JR's shooting as part of the *Nine o'Clock News*. When the famous foundations of BBC News are undermined for the sake of a meretricious soap opera it becomes clear that cultural howl-round is really getting under way.

John Standing and Lorraine Chase in ATV's new series The Other 'Arf

Festival Hall

# Böhm by ANDREW CLEMENTS

The appellation of president of the London Symphony Orchestra presently gives us at least an annual opportunity to hear Karl Böhm conduct the orchestra. Dr. Böhm is now in his 86th year, evidently frail but still conveying much zest for the task in hand; his appearances should be treasured, if only for the reason that they keep us in touch with a period and an approach to music making that soon may seem a remote golden age.

His reputation has never been established on the revelatory quality of his interpretations; he is not, except on the most basic level of making an orchestra play to the limit of its ability, an inspirational artist. The strength of his approach lies in his capacity for doing the simple things extremely well. There is no spare flesh on his performances, no surfeit of expression or effect. It is essentially a neutral approach to the musical text, concerned, in the most stylish Viennese way, with conveying the essence of the composer's intentions.

For Monday evening's concert the programme consisted of two symphonies, Beethoven's fourth and Dvorak's ninth. Initial disappointment that the New World Symphony should stand where a work more central to Böhm's reputation could was tempered by the vividness of the performance; the LSO spurred on to a degree of excellence not equalled even in its recent concerts with Celibidache, every detail precisely and immediately registered, the unanimity of the strings an object lesson in itself. An object lesson too in making every element of a patchwork symphony count: the phrasing of the slow movement allowed to develop and expand naturally, the finale's second group given full encouragement in exploiting its propulsively rhythmic final tag.

The earlier Beethoven performance had however, reminded us even more forcibly of the priceless benefits of long-matured experience in conducting the standard repertory. More exciting versions of the Fourth are to be found—though the musical world is not at present overstocked with first-rate Beethoven conductors and the most original of them has yet to be heard on a London concert platform — but the unadorned elegance of every bar of Böhm's account was almost adequate compensation. Even at such a venerable age he still chooses youthful, brisk tempi, and the LSO's response was equally keen; together they contrived a racy athleticism for the outer movements that was perhaps the least expected characteristic of the evening.

Elizabeth Hall

# Woodward's Beethoven

After Roger Woodward's complete cycle of the Beethoven piano sonatas in the Orangery of Kenwood House in February last year, I wrote of an exciting, uneven, and at its finest, exhilarating series—that with some calm thought, and some careful re-shaping of detail, could be less bumpy a ride when it appeared this month on the South Bank; and still more exciting.

On Monday night, after the first recital of his new series, it seemed clear that the time is now finally ripe for Woodward's Beethoven cycle to reach its first considered summit, whole and mature. The manner was calm and commanding, free from unwieldy tensions; from the opening pages, the evening radiated confidence and control. There are many ways of dividing and ordering the sonatas, and each way has its virtues. This time Woodward has chosen to present them partly out of chronological sequence (although the last four sonatas still make a natural final climax); but it can have been no less taxing to launch *directly from* cold into the three sonatas of Op. 10—for there is no music in the whole of the piano literature than these early sonatas, *whether* Op. 2 or Op 10, more fiercely demanding of the closest focus, or more perilously exposed.

I doubted only the wisdom of the decision to present op. 10 in reverse order—for isn't the D major No. 3 the essential, inescapable climax of the sequence? It makes for an impressive beginning: and for a slightly bathetic middle—since nothing in even the great C minor Op. 10 No. 1 can match the sweep and power of the D major's invention. The lovely adagio, especially, pales beside the sublime largo of the D major—which Woodward gave (rarer to hear than one would imagine) in true *largo* tempo, voiced in rapt subterranean colours, and linked *attacca* to a minuet of wonderful grace and charm. The "orchestral" palette was everywhere *lively*, *and very broad: only once or* twice (accentuated by the hall's acoustic) was there a passing fondness not for blurred, but for too warmly pedalled. texture where no pedal at all is the cleanest, clearest answer.

After the interval, and contrary to all expectations, Woodward's opening of the Appassionata op. 57 was firmly, almost cautiously, reined in—though he wound up to a tremendous coda. I specially liked his explosive *sforzandi* in the finale; and it was good, too, to hear a pianist with the structural sense to give us the (still more rarely observed) repeat. Here the coda was also dangerously fast: but in context it was a thrilling, and dramatically vindicated, razor's edge, and triumphant conclusion.

DOMINIC GILL



Open Air Theatre, Regent's Park

# Much Ado

David Conville's production, with which the season most admirably opens, is set in the time of the first World War. Don Pedro is a British Army brasshat, Benedick and Claudio are cavalry officers; the ladies, when we first see them, are wearing VAD armbands and rolling bandages. What uniform Don John and his confederates wear I do not know: Italian, perhaps. The costumes (Tim Goodchild is the designer) are impeccably contemporary, the girls' dresses are sweet, and the change of period is totally acceptable. There is never a line that does not ring true, and the groupings on the greensward are beautiful.

You could not ask for a better Benedick than Gary Raymond — comic, yet with the self-respect that a decent officer must maintain, and the ability to inflect even his most loudly projected dialogue with appropriate subtelties. He is matched by a beautiful Beatrice from Annabel Leventon, pretty, playful but dignified, a Mitford girl, an Evelyn Waugh girl.

The humour is kept fairly broad. The offices that kid Benedick (hidden in the summerhouse) play croquet as they jest. When the girls kid Beatrice, she skips about in the greenery to hear every word, finishing with a mugful of water from the fountain in her face. Dogberry (Bernard Bresslaw) introduces some verbal as well as visual ad-libs without harm. Balthasar (Ross Macfarlane) sings "Sigh no more" to his own accompaniment on the banjolele, and leads a barbershop quartet for the elegy at Hero's tomb. The music is by Ronald Corp.

B. A. YOUNG

Coliseum

# Stravinsky/Béjart

Béjart and Stravinsky is one of those fabled partnerships, like Romeo and Goneril, or bacon and strawberries. The Ballet of the Twentieth Century began its week's visit to London on Monday with a triple bill in which the maestro of Brussels offers his interpretations—or, as I beileve, mistranslations—of Stravinsky's first three scores for Diaghilev.

*The Firebird* we know of old, with its gallant blue-denimed partisans becoming agitated round the flame-coloured leotard of revolution. Béjart's *...e of Spring* has also been seen here before: 23 boys meet 23 girls, and do what one might expect. New is the *Petrushka* which Béjart made for Vladimir Vasiliev two years ago. Like its companions in the programme it offers universalities, pronunciamentos about Life, Love and Art, and a massive expenditure of energy by everyone concerned. Béjart's boldness in seeking to re-work these venerable compositions is entirely in accord with his history of taking dance to a mass audience. His crashing unsubtlety of means—this is slam, bam, wham choreography where attack rather than finesse is the rule—and the heady enthusiasm of his artists, generate a gustily over-heated atmosphere, in which dance seems an art of the poster rather than the theatre.

His *Petrushka* has a sound theatrical idea at its heart: Petrushka putting on the masks of puppet, then blackamoor, then doll, becoming gradually confused by their identities when he enters the mirrored booth of the Charlatan, and finally doubting his own identity, and all human relationships. If *Petrushka* must be re-done, then this is no bad theme. Alas, the realisation is uncertain. Well stated in Petrushka's own role — taken with tireless force by Jorge Donn on Monday—the choreographic matter looks like routine Béjart crowd-work for much of the time, and the evening is rich in the massed agonisings and leaps with which the choreographer keeps his cohorts on the move.

CLEMENT CRISP

Sherrill Milnes and Kiri Te Kanawa

Leonard Burt

Covent Garden

# Simon Boccanegra

Verdi's *Simon Boccanegra* returns to Covent Garden in a new staging, produced and designed by Filippo Sanjust, Sir Colin Davis conducting. The sponsors are IBM United Kingdom and the Royal Opera House Trust. It doesn't seem as much as seven years ago since we last saw Gobbi's decent production in the house. even with La Scala's sombrely splendid, momentous Strehler-Frigerio version included in their guest season of 1976, coming in between. Since the war, and the pioneer Sadler's Wells production soon after, *Boccanegra* has won a public here. It is an opera which creates addicts.

Monday's première. strongly cast round Sherrill Milnes as the Plebeian Doge of Genoa with a seafaring past, went pretty well, with moments of distinction though not quite the total effect one hoped for. Sanjust, as in his *Luisa Miller* for the same company, has made an economy production which does not too painfully rub in the theatre's financial plight. His sets are tall, airy, mostly architectural. There seems to be some psychological link between low-budget opera and pale colours: the new 14th century Genoa has clean-looking, cream stone likely enough for the time when the action is set, but it looks insubstantial for that nest of sea-warriors.

Soloists and chorus are moved simply, without fuss, and with greater elegance than Gobbi but with a similar respect for the singers' convenience—being his own designer Sanjust ensures costumes that are seen to advantage in motion (in the council-chamber, for example). Unlike many directors today with a passion for gloom (and gloom is undoubtedly present in this opera) Sanjust keeps his evenings and nights light—rather too much so in the prologue, where the stage seems unnaturally empty and unmysterious.

There was some delicate orchestral playing in a reading more notable for keen, intimately expressive details than for grand sweep. There were some biting climaxes, yet the impression was that Colin Davis is not essentially a very Verdian Verdian: love for this score percolated from every bar but the fullness, intense clarity and noble rage that Verdi at his most elegiac demands were not more than intermittently present.

Milnes is comparatively new to the title-role, but we may expect and hope him to sing it often. He was in excellent voice, full-toned without aggressiveness, suggesting more than one might expect from an heroic baritone of the reflective, idealistic ruler the sea-dog becomes. He had noble support from Boccanegra's mortal enemy the Patrician Fiesco, beautifully sung and acted with dignified restraint by Robert Lloyd—just too much restraint perhaps for one of the finest bass voices of the day to make the full impact which it deserves.

Kiri te Kanawa's Maria-disguised-as-Amelia is familiar from the Gobbi production. The role of the shy, supposed orphan who behaves when put to the test with considerable spirit suits her well. The opening aria was supple and gleaming as before. Some of her singing in the council-chamber scene had too little and some (at the start of the big ensemble) too much fire but she finished the scene finely.

There was an interesting, not wholly convincing Paolo by Jonathan Summers, pitched in a key of high melodrama which took time to make its effect. Unlike John Tomlinson in the similarly villainous but smaller role of Pietro, Mr. Summers has not so far achieved complete harmony of appearance and gesture. The chorus was in good form, notably in the off-stage acclamations which play a large part in this complicated story of intermingled private lives and medieval politics.

RONALD CRICHTON

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# Roundabouts and swings

THE EXTRAORDINARY events in the currency markets yesterday, when sterling fell by a clear three cents against the dollar on the news of a prospective improvement of some £700m in the current account of Britain's balance of payments, are both entertaining and instructive. It must be remembered that sterling has been driven up by forces which appear equally perverse—excessive credit demand, leading to a weak balance of payments, and excessive inflation, calling for Draconian interest rates to check monetary growth. This crazy machine does appear to be reversible.

### *Central lesson*

The central lesson, it seems clear, is that the exchange rate is far more sensitive to interest rates than has up till now been obvious. During the rise, it could plausibly be argued that sterling's new status as a petro-currency was driving it irreversibly upwards. Yesterday, however, a statement from the Prime Minister that the saving in our contribution to the EEC Budget could best be used to cut Government borrowing, and so reduce interest rates, helped to cause the dramatic turn in sterling. Our repeated warnings that an excessive PSBR *would* exaggerate the rise in sterling seem on the face of it to be borne out in a most encouraging way: a promised cut in borrowing caused a sharp drop in the rate.

It would be extremely rash, however, to draw large conclusions from the events of one day; all that has been proved is that sterling is not simply a one-way market. Traders may also have been worried by the thought that on the face of it, a cut in our EEC contributions does not affect domestic monetary conditions, but simply the official external balance, and might thus be thought to have no implications at all for interest rates. As a statement of the initial impact, this is accurate: but in the longer run, a reduced EEC contribution, and indeed reduced upward pressure on sterling if this follows, do have important and encouraging implications.

It must be remembered that British acceptance of the EEC compromise was not the only relevant news yesterday. The reserve figures were also published, showing net intervention leading to another rise of nearly $300m in the official reserves. Over the last six months, this steady trickle of "smoothing" in the markets has totalled more than $2bn, or some £900m — a flow larger than our contributions to the EEC.

From the market point of view, both transactions are of exactly the same kind: the Government has been providing sterling to foreign holders. It makes no difference at all to the flows in the currency markets whether the foreign currency acquired in this way is added to our reserves, or forwarded to Brussels. The impact on official sterling borrowing is also the same. A rise in the reserves entails borrowing in sterling, as does a contribution to the EEC.

The complicated question is whether such official borrowing tends to a dd to the domestic money supply. In the short run it does not: the sterling is sold to foreign holders in exchange for other currencies, and their holdings are not part of domestic money. In the longer run, however, it has always been accepted that foreign deposits *do* tend to contribute to domestic monetary growth, since they finance new lending by the banks. For this reason, we abandoned any but smoothing intervention in the exchange markets in 1977; and for the same reason, it has always been thought necessary to finance the Government's foreign currency transactions through long term funding.

### *Funding*

It seems clear, then, that the major implication of the EEC settlement is not so much for short-term interest rates, which are related to the pressure of domestic demand for bank credit, as for the funding programme. It can be hoped that in the long run an easing of the relentless succession of tap stocks will work through to the credit market as a whole, especially if it becomes possible for companies to fund some of their own borrowing on acceptable terms.

If yesterdays developments are sustained, then, at least in the sense that the upward pressure on sterling becomes more hesitant after this setback, the Government may have an opportunity which it should seek to enlarge. A reduction in fnding pressure strengthens the case for trying to tap new markets and devise new securities which would further reduce the crowding out in capital market which has caused so much damage.

# The bombers in South Africa

THE BOMB attacks on vital installations in South Africa have come as a shock to the country's white community. Following on top of the widespread schools boycott by coloured children and the recent arrests of Church leaders, they illustrate dramatically how pressure is building on Mr. P. W. Botha, the Prime Minister, and his government.

Although guerrilla activity is nothing new to South Africa, the apparent sophistication and success of the latest attacks are bound to encourage the black nationalist movements. Moreover, they could not have come at a worse time for South Africa's whites whose confidence has been badly dented by Mr. Robert Mugabe's victory in Zimbabwe.

### *Vulnerable*

It is too early to say whether the African National Congress, which has claimed the attacks, is in a position to repeat them It will certainly not be so easy to catch the South African authorities so unprepared again as security has already been stepped up at most of the country's strategic installations. But the fact that South Africa's economy is relatively well developed makes it particularly vulnerable to this sort of sabotage. It can increase protection for its energy installations which have long been the economic solar plexus of the Republic, but any industrial country has many vulnerable targets.

It also leaves Mr. Botha with a rather bleak choice. He could decide to tighten security and end the present tentative moves towards liberalising the system. But to fall back to the laager might wel cost him much of the country's current healthy economic growth. Alternatively he could choose the more risky but ultimately more promising path of hastening the pace of change by encouraging black advancement. In the medium term, that carries the very real danger of greater instability as black aspirations rise faster than the system can accommodate them.

The scale of the difficulties facing Mr. Botha should not be underestimated. He has been making some of the right noises lately by showing a willingness to talk to a selection of the black leaders. And he has publicly recognised the need for amending the inflexible apartheid system. But he has baulked at any fundamental restructuring of the society which would meet the demands of the Republic's 20m blacks. Instead, he seems to have been more responsive to pressure from the powerful Right-wing of his party who have obstructed any significant changes.

Concentrating on defusing a difficult domestic political situation within the white community, Mr. Botha has postponed the time when unpalatable decisions will have to be taken about the future of apartheid. He is now in a position of strength thanks to the buoyant economy. If he delays until guerrilla activity has begun to sap his power, he will increase the chances that change can only come violently.

The events of recent week also emphasise the difficult choice facing the business community in South Africa. For the most part, businesses recognise that they can go some way towards reducing the tension within South Africa by implementing progressive policies on wages and black advancement. But they also have to keep moving at a pace suited to the general level of change within the country. Although some companies have acted as a lobby for more rapid change others have preferred a back seat role, allowing the guidance to come from the central authority.

### *A warning*

In addition, foreign companies have had to reconcile their policies within South Africa to the different ethical standards in the home countries, of their parent companies. Reports that 33 UK companies are paying wages below the povety line have once again brought this issue into parent company boardrooms, but the recognition by the business community that it can encourage change is not enough. The bomb attacks showed that time is not on the side of the existing system. Instead of driving the whites to be more inflexible, it is to be hoped that they take the attacks as a warning that unless there is compromise now, the situation can only deteriorate.

# Political tensions behind China's new pragmatism

By IAN DAVIDSON, Foreign Affairs Editor, recently in China

FOR a visible symbol of what is going on in China you need only go to what used to be called *Democracy* Wall in Peking. The wall posters which used to display a riotous variety of conflicting views on the big political questions have long since gone, of course. The site is being prepared for an array of hoardings which will advertise consumer goods, many of them no doubt from the West. Political dissent is out, economic incentives are, at least for the moment, in.

Yet I thought I detected visible symptoms of a continuing tension between the tentative economic liberalism inaugurated by Vice-Premier Deng Xiaoping and the suppression of popular political debate. The shop windows in Shanghai are *full of displays* of women's dresses, and even of women's bras; but in Peking I did not see a single woman wearing anything but the ubiquitous Sun Yatsen trouser suit in drab blue or green. This may mean nothing more than that the trouser suit is merely working dress. But it is curious that clothing becomes much more colourful and various for both men and women the farther you get away from Peking. Glimpses into domestic courtyards in Peking suggest that even the Pekinese dress more daringly in the privacy of their own homes.

At the production end, the experiments in economic liberalism and decentralisation seem to be going down well with the people and producing good results, especially in the province of Sichuan, which was the first to try out the new policy. In Chungking, the province's largest town, the people on the streets display a much greater vivacity than the rather morose crowds in Peking. The escort provided by the municipal government seemed much more outspoken (at times positively enthusiastic) than his counterparts elsewhere.

Experimental elections had been held in some Chungking districts, and he hoped that municipal elections would follow soon. Factories which were selected to try out the new economic freedoms must still meet plan targets, but thereafter they could keep any excess profit and spend it on wage bonuses, on welfare, or on new investment. In rare cases, these bonuses could reach 30-40 yuan per month, on a basic wage of 50-60 yuan. Where production increases are achieved by teams of workers, the members decide how the bonuses should be shared out.

Chungking in summertime is an oven of a city, and last year there was a severe shortage of fans. This year an electric motor factory had started to take advantage of its new freedom to make fans on top of its normal planned range of motors; in the past, it would simply have stopped work once its planned quota had been achieved.

In some rural communes, the proportion of private plots to communal land was being raised from seven to 10 per cent to encourage output. In some factories there had been elections to the post of factory director and, interestingly, sometimes the successful candidate was an ordinary worker, but sometimes also the outgoing director.

Yet all is not always straightforward. In the midst of his eulogies for the new regime, I asked the escort how he had been affected by the Cultural Revolution. "I was part of the Cultural Revolution," he replied. Embarrassed silence on my part. I asked what his job had been before the Cultural Revolution. "Before the Cultural Revolution I had no job. Then I became a Red Guard." Another silence, which he finally broke by saying: "The foreign Press has much exaggerated what happened in the Cultural Revolution" — a view which is largely at variance with that of Deng Xiaoping and his supporters.

Later I visited the Chungking Academy of Fine Arts, which receives 10,000 applications for every 100 student places. Was this so, I asked an academy official, because young people wanted to get away from jobs which appeared to be directly subject to political influences? Through the escort the answer came back: "Yes, that is one reason." But after a further lengthy dialogue in Chinese, I got another answer: "The young wish to serve the people through art."

After so many gyrations in political orthodoxy, it is scarcely surprising that individuals should display a disconcerting mixture of frankness, newspeak and sheer opportunism; but it must make it extremely difficult for anyone in government institutions to know whom he can trust, and must make the workings of such institutions extremely creaky.

**Clothing becomes more colourful the farther you get from Peking**

Encouraging as the new tentative pragmatism may seem to the West, there is no certainty that it will produce the goods. *It is common ground among* foreign observers that the Chinese have not yet resolved the philosophical tensions between physical planning and market forces, and are still looking at different foreign models — Yugoslavia, Romania, even Japan — as inspirations for experiment. Much more serious, however, is the possibility that China may not enjoy a sufficiently long period of political stability to be able to give the new experiments a chance of success.

Until recently, the most widely propagated view about the political situation in China ran roughly as follows. Since the death of Mao Tse-Tung in 1976, the pragmatists (represented by Vice-Premier Deng Xiaoping) have conclusively won the upper hand over the Maoist ideologues (represented in the Chinese demonology by the now-disgraced Gang of Four), and are now, after a false start, embarked on a rational programme for building up the Chinese economy.

A bakery in Shanghai, photographed by Ian Davidson

Naturally, there are residual ideological problems in the shape of unreconstructed Maoists who still hold influential positions in the bureaucracy, especially in certain provincial governments; equally naturally, there are major economic problems in a country as large and as poor as China, and they will not automatically be solved by the experimental recourse to certain elements of a market economy. Nevertheless, according to this view, the new line and the new leadership are pretty firmly established, and are unlikely to be upset for some considerable time to come.

I heard an even more confident version of this view within minutes of landing at Peking airport, from an experienced China-watcher of many years' standing. According to him, China was now set on a pragmatic-conservative course for at least the next 20 years. Mao's record in economic terms was so thoroughy discredited, and Deng Xioaping and his supporters were in such a strong position, that they had *carte blanche* to do virtually anything they liked. Hua Guofung, at one *time Mao's designated heir and* now Prime Minister and Party chairman, was virtually isolated in the central committee, and if Deng did not have him sacked or kicked upstairs, it would only be for tactical or presentational reasons.

It was even conceivable that Deng would have Mao's embalmed corpse removed from the mausoleum on Tiananmen Square, or the mausoleum itself demolished. After 30 years of political yo-yo, the Chinese people wanted nothing but stability and an opportunity to make themselves a bit better off.

But there is another, much less confident analysis to the effect that the power struggle at the top is far from over, that Deng Xioaping is not really in a commanding position at all, and that even if the broad economic policies identified with his name are not about to be reversed immediately, there is every prospect of renewed political instability. This is, I believe, a minority view, but there are a number of those shreds of evidence so characteristic of the China-watcher's art which make it worth considering.

According to the conventional view, the most striking recent indication of the victory of the pragmatists has been the posthumous rehabilitation of Liu Shaoqi, the former head of state who was disgraced by Mao and who died in prison; his rehabilitation was marked earlier this month by a memorial ceremony at which Deng was the main speaker and which was broadcast all over China.

But consider the following: the day before the ceremony, the People's Daily was still discussing the question whether Liu really should be rehabilitated; the current head of state, Ye Jianying, did not attend the ceremony, and almost certainly not because he was too old or infirm, as has been asserted, since he made several public appearances about the same time. While Deng's speech restored Liu posthumously to his position as head of state, it did not restore him to his party posts. Finally, there was no official obituary of him published by the party, as would have been traditional.

Among Communist countries, China is unusual in having a chairman rather than a general secretary as the top party official. The creation of a general secretariat and the promotion of Hu Yaobang to head it, have been seen by many observers as the first step by the Deng faction to revise the party constitution so as to eliminate Hua's position as party chairman. It may still be the plan. But according to one story I heard, the original list of names for the secretariat did not include a majority of Deng's supporters, and the balance was only fortuitously shifted after the late Chou Enlai's widow had raised objections to some of the original names.

The most ominous recent event was a speech by Hua Guofung to an army conference on political questions, in which he quoted Mao in a call for the promotion of proletarian ideology and the elimination of the bourgeois class. In the arcane language of Sinology, *which* to the untuned ear *may* sound, sometimes, like Sinobabble, this is a fairly clear attack on Deng's policy of *offering* (*limited*) material incentives to workers and peasants.

Those who believe that Deng is in an unchallengable position would play down the significance of the speech; Hua knows that he is boxed in and may yet be ousted, he believes that Deng's economic liberalism will fail and Deng will be discredited, and he is merely putting down a marker of his own legitimacy as Mao's heir against the day when he himself will regain the upper hand.

But others take it as a further indication that the leadership struggle is far from over, and they see confirmation of this view in the fact that some of the army representatives at the conference endorsed Hua's Maoist line. According to this view, there is a de facto alliance between the arch-conservatives and the ultra-leftists in the party hierarchy and some of the army leaders against Deng and *the pragmatists*; and while Deng may have the support of the intellectuals; the students and the peasants, his opponents are better organised, better entrenched and, above all, fighting for their personal survival.

It may be, of course, that the ideological debate over economic liberalism—material incentives, productivity bonuses, greater independence for factories, the profitability criterion—is less important in terms of what rival factions *really* believe makes economic sense than as a stalking horse in what would otherwise be merely a naked struggle for power between rival, and shifting cliques.

But it stands to reason that there is an underlying conflict between economic liberalism, however tentative and experimental, and the supremacy of a party machine

It is frequently said that shortages of consumer goods in the Soviet Union are the unfortunate consequence of an inefficient economy, and that this inefficiency is in turn the unfortunate consequence of a highly bureaucratic system. It can also be argued that consumer deprivation is an indispensable feature of a Marxist-Leninist system, since it would be extremely hard to reconcile an authoritarian and bureaucratic state machine with relative abundance and genuine consumer choice. In China Deng was forced to backtrack from the policy of tentative toleration of popular debate, as in the wall posters on Democracy Wall, and the impression that this was a trade-off between the economic pragmatists and the political authoritarians has been reinforced by the re-publication of the state security laws of 1950 and 1951 which are draconian in their restrictions on the communication of information.

As it is, all the economic observers I met in China agree that one of the country's main problems is the lack of co-ordination and co-operation between different ministries and institutions. If the state security laws are enforced in their full rigour, economic co-ordination will become virtually impossible.

In between those China-watchers who believe that the country has 20 years of political stability ahead of it, and those who fear that political instability is just around the corner, there are diplomats who give China five years before the massive problems of modernising a largely agricultural country of 1bn people finally prove insurmountable, and who fear that when disillusionment sets in, the country will revert to its age-old tradition of isolationism under a regime of total rigidity. Yet others believe that the Chinese may have just a chance of tripling their national income per head by the end of the century—and then begin to wonder, in some trepidation, how such a country will deal with the rest of us.

**There are fears the country will revert to rigid isolation**

If Deng Xioaping is more or less in charge of immediate events, the conundrum he must solve is that of achieving the maximum amount of political freedom, so as to release the energy and initiative of the Chinese people, while provoking the minimum antogonism among the entrenched party bureaucrats and ideologues. On the face of it, it looks a daunting, if not impossible, task, and it must be questionable whether imported notions of decentralisation and Western management will be a match for 4,000 years of authoritarianism.

# MEN AND MATTERS

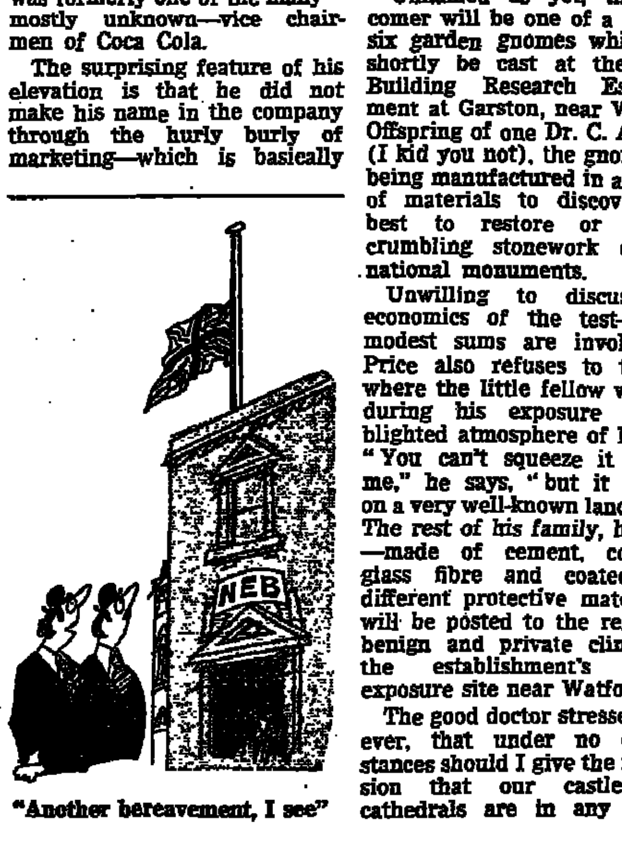
## Up pops Roberto in Coke shuffle

Is this to be the crunch year in the Great Soda Pop War between Coca Cola and Pepsi? At the last bottle count both had just over a fifth of the U.S. market, although Coke was slightly ahead. But Pepsi is growing faster, and like another household name, it tries harder.

Coke, under pressure, is determined to stay in front. So resolute in fact, that in a sweeping management shake-up the Atlanta-based company has just scrapped its entire top-level executive structure and in the process brought forward the man most likely to succeed Paul Austin, chairman and chief executive for the past 10 years.

Austin, who retains overall control, has handed over chief executive powers to the new president, Roberto Goizueta. Born in Cuba 48 years ago, he was formerly one of the many—mostly unknown—vice chairmen of Coca Cola.

The surprising feature of his elevation is that he did not make his name in the company through the hurly burly of marketing—which is basically what the company is all about. A trained chemical engineer, his forte in the past has been in - administration and technology. But Coke, like many U.S. businesses, may have begun to discover that running a company these days has as much to do with goverment, lawyers and process plant than persuading teenagers that things go better with Coke.





"Another bereavement, I see"

## Elf service

Keep your eyes peeled, for a new addition to the stautory adorning London's leading tourist attractions. For soon, among all the saints and heroes will be appearing a representation of a small gentleman in a silly hat. City representative of the Department of the Environment, he is being posted to the capital to test how well he stands up to the pressure of urban life.

Unnamed as yet, the newcomer will be one of a team of six garden gnomes which will shortly be cast at the DoE's Building Research Establishment at Garston, near Watford. Offspring of one Dr. C. A. Price (I kid you not), the gnomes are being manufactured in a variety of materials to discover how best to restore or replace crumbling stonework on our national monuments.

Unwilling to discuss the economics of the test—"only modest sums are involved"—Price also refuses to tell me where the little fellow will live during his exposure to the blighted atmosphere of London. "You can't squeeze it out of me," he says, "but it will be on a very well-known landmark." The rest of his family, however—made of cement, concrete, glass fibre and coated with different protective materials—will be posted to the relatively benign and private climate of the establishment's official exposure site near Watford.

The good doctor stresses, however, that under no circumstances should I give the impression that our castles and cathedrals are in any danger of being replaced by plastic replicas. His current commission comes from the Directorate of Ancient Monuments, which is troubled by the sorry state of the 300-odd statues populating Wells Cathedral. "Of these, no more than one or two are likely to be replaced," he says.

In fact, he deliberately chose not to make copies of the crumbling statuary for his tests to make clear as he puts it, "that this is not an artistical exercise, rather a scientific experiment.

"And when we have a chance to evaluate our Ideal Gnome Exhibition, I think we shall know what's what."

## Hey presto

Are we soon to expect more commercial magic from James Gulliver? I ask because no sooner has he finished conjuring up his embryonic food empire than he pulls another rabbit out of the bag — David Burditt, former managing director of Borthwick.

Burditt, it turns out, last heard of in September slamming the Borthwick boardroom door with an £88,000 cheque in his pocket, has been advising Gulliver since then. Now, with his advice obviously well taken, he has been appointed director in charge of food manufacturing on the boards of Gulliver Foods and its sister company Louis C. Edwards.

In his days as managing director of Beecham's international division Burditt did great things for the reputation abroad of Horlicks and Enos Fruit Salts. At the same time he made a name for himself as an expert in the fields of marketing and self-financed growth—precisely the commercial characteristics which have aided Gulliver in his travels towards the top of the heap in the food business.

## Taxing journeys

A tenacious type our tax man. Unabashed by the pending action in the European Court of Justice in which our Euro-MPs are challenging his right to crave his pound of flesh out of their allowances, he is now attacking on a new front which has set certain members quaking in their boots.

Most who live in, or within the statutory 20 miles of their constituencies, can claim tax relief on their European travel bills. But there are several, living away from their electors, who have been told that because their travel is from home (rather than work) to work in Strasbourg, Luxembourg or Brussels, they like the rest of us, cannot claim tax relief on their plane tickets.

"I spend about £3,500 a year on flying to and fro," one afflicted parliamentarian tells me. "And the implications are horrendous." Not wishing to reveal his name, for fear of jeopardising his chances in his impending confrontation with an Inland Revenue inspector, he claims that for those without other income, the net result will be bankruptcy or forced resignation from the European Parliament.

Anthony Simpson, the Tory link-man in Brussels, however, is a man of stronger nerve. In no other EEC country does the state interfere with the allowances, he tells me. Confident the Revenue will be put in its place by the Luxembourg judges, he says: "I think we can out-flank them." I certainly hope so. The last thing we need is a re-run of these tedious Euro-elections so soon after the first lot.

## Colour blind

Quote from Associated Asphalt's London manager Bill Heather, who is currently engaged in re-laying the surface of the Mall: "It is probably the most prestigious job in the black-top business, except that it is in red."

***Observer***

FINANCIAL TIMES SURVEY

Wednesday June 4 1980

# Finance for Small Companies

Industrial decline and rising unemployment has prompted many countries to introduce an increasing number of measures to encourage small businesses. In Britain, for example, the Government is removing legislative and other burdens, as well as increasing tax incentives and trying to improve the flow of funds.

## A key issue in many countries

By John Elliott

DURING THE past few years the problem of how to arrest the decline of small businesses has become an issue of increasing political concern in many parts of the world.

Throughout Europe, in North America, and even in Japan, governments and business communities have been considering how to encourage the creation and expansion of smaller enterprises which have been disregarded and sometimes driven out of existence during the past few decades.

This interest has been sparked by concern about industrial and urban decline and about the general inability of large companies to expand their labour forces at a time of high unemployment. There has also been concern that the inventors and entrepreneurs needed in the future will not start out in business unless the climate in which small businesses are set up is improved.

As a result, government policies have been introduced to tackle problems such as the flow of funds, the provision of premises, the impact of taxation, and the other issues which dog the entrepreneur. The hope is that such actions will quickly create new jobs and will lead to the establishment of businesses *that will provide* the country's wealth in the future.

In Britain, this movement started nearly three years ago when Lord (then Mr. Harold) Lever was appointed Cabinet Minister in charge of co-ordinating the then Labour Government's policies. Mr. James Callaghan, the Prime Minister, having been encouraged by Liberal MPs through the then Lib-Lab pact, saw the political mileage in looking after the individual entrepreneur. He was also concerned to show that something was being done about unemployment and the inner cities.

For the past year this work has been taken over and *expanded* by the Conservative Government whose Industry Secretary, Sir Keith Joseph, believes in the inevitability of the life-and-death cycle of small and large companies. He is therefore more interested in helping emerging entrepreneurs than in supporting lame and dying industries.

The UK has a more limited small business sector than most other developed economies, largely because of rapid decline in the 1950s and 1960s, and there is some doubt about actual numbers. Provisional figures (see table) suggest that there are 1.3m small businesses employing about 6.2m people—*about 25 per cent of the working* population (23 per cent in manufacturing industry). This is not significantly different from statistics prepared for the Government's Bolton Report on small businesses ten years ago, although it does mask some decline and also illustrates that there has been no growth. Small businesses sometimes defined according to turnover, but are generally regarded as those employing 200 people (which is the official designation in manufacturing industry). In practice this means enterprises which are owned and run by only one or two people and which have a relatively small share of their market. They are therefore the businesses which are most susceptible to swings in economic fortunes—as the present high spate of UK bankruptcies shows.

No one doubts that these businesses are vital for a healthy economy and that they can help in creating jobs. But the simple notion, especially fostered by the present UK Government, that they can do anything significant in the short-term or even medium term to compensate for job losses in large industries is now being questioned. The TUC, for example, told the National Economic Development Council recently that the Government's approach "overstates the potential *contribution of small firms* to growth, employment creation, and technical innovation in the economy."

### Expensive

Trade unions are, of course, not much interested in small businesses because their owners often tend to be anti-union and because they are difficult and expensive to organise effectively. But the TUC's comment was based on a neconomic, not a trade union organisational stance, and it reflects concern in many quarters that Sir Keith an dhis colleagues are relying too much on small businesses, which are unlikely to produce much help to the economy for up to a decade.

What is not questioned is that the British Government—and its equivalent in other countries—are right to change the climate and remove the impediments to the progress of such businesses. Critics—including the TUC—are, however, quick to point out that all the good the Government is trying to do may well be cancelled out by the industrial impact of its economic and financial policies—such as the high level of interest rates.

It is sometimes suggested that a more selective policy should be adopted towards small businesses in order to try to protect and encourage the best. This is an issue now being considered in Japan where there are about 5.4m small businesses employing 32m people.

Any idea of "picking winners" is, of course, anathaema to the present Broitish Government, especially to Sir Keith.

Broadly, the Government's policies fall into three main areas: First, it is trying to set the right economic climate and to provide incentives through various taxation and other changes, some of which were announced in the Budget two months ago. Most small business organisations were pleasantly surprised by the Budget's "enterprise and small business package," although they still want more to be done on capital taxation.

Secondly, the Government is removing legislative, administrative and other burdens. 't has changed employment laws, eased planning controls, and drawn up proposals for simplifying company laws. Sir Geoffrey Howe has launched his own idea for small experimental "enterprise zones" where businesses can operate without having to bother with other restrictions. The Government has also taken over the last administration's campaign to cut down the number and complexity of Government forms that businessmen have to complete.

Thirdly, it is trying to ease the flow of funds — both for basic investment and for property — into the small business area. In addition to exhorting the clearing banks and other financial institutions, it also hopes that the "Aunt Agatha" type of family investor will invest more. It has also developed other sources such as the European Investment Bank which, under arrangements negotiated by the last Government, contributes half the money for packages as small as £34.000 in assisted areas.

But the Government has shown little interest in more interventionist type of financial arrangements. It has, for example, not gone ahead with an Industry Department plan for a State-aided guarantee scheme covering venture capital investments. I/t has also refused so far to agree to State involvement in a clearing bank loan guarantee scheme, despite considerable pressure for some such arangement from within the Conservative Party, and it has rejected calls for the creating of a small business Administration.

The work of the National Enterprise Board has also been cut back and there is little Ministerial interest in its activities, even though small businesses are supposed to be one of its basic areas of operation.

The gradually increasing interest being shown by financial institutions in small businesses is, however, something of a success for Sir Keith. The main problem has been the provision of packages of funds of, perhaps, £10,000 or £20.000 in the absence of many "Aunt Agatha" family investors. One or two institutions, including the Post Office Staff Superannuation Fund, have started experiments to see if they can be of use.

The problem for such institutions—and for clearing banks—is the high administrative cost of investigating and monitoring such small investments. This is why the Post Office Fund has linked up with the Government's Counselling Service which does much of the administrative work.

Financial institutions have also shown new interest in helping to provide premises for small businesses, especially the smaller garage-sized workshops which the Government is convinced are needed in considerable numbers if would-be small businessmen are not to be put off starting their first ventures. The Legal and General, the NCB Pension Fund and Barclays Bank are among those involved in this area, and the Government is also providing further help by relating building allowance regulations.

Meanwhile many other large companies have also shown a rapidly increasing concern about the plight of small businesses, and have set up various ways of providing help.

So it is clear that something at least has been achieved in the past few years because small businessmen are now operating in a far more sympathetic political and social climate.

What is still in doubt, however, is whether the right things are being done and whether small businessmen can thrive with institutions, rather than relatives and friends, as their main sources of finance. In addition ministers are almost certainly placing far too much political emphasis o nthe contribution that small businesses can make to the country's short-term recovery.

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ON OTHER PAGES



### SMALL BUSINESSES IN THE UK

| SECTOR | Numbers of small firms (thousands) | TURNOVER: Small firms 1976 total (£m) | % of all companies | EMPLOYMENT: Small firms total (thousands) | % of all companies |
|---|---|---|---|---|---|
| Agriculture | 150 | 4,500 | 57 | 420 | 60 |
| Manufacturing | 100 | 8,000 | 18 | 1,575 | 23 |
| Construction | 290 | 7,000 | 25 | 715 | 43 |
| Transport | 60 | 1,450 | 17 | 245 | 38 |
| Wholesaling | 75 | 8,400 | 16 | 315 | 37 |
| Retailing | 235 | 9,000 | 26 | 990 | 40 |
| Finance | 20 | 1,250 | 2 | 35 | 5 |
| Property | 35 | 2,240 | 23 | 40 | 44 |
| Professional services | 50 | 1,670 | 29 | 275 | 47 |
| Catering | 100 | 4,240 | 63 | 580 | 64 |
| Motor trades | 50 | 3,600 | 19 | 190 | 40 |
| Other services | 105 | 2,650 | 31 | 550 | 58 |
| All others | 35 | 3,000 | 24 | 280 | 60 |
| | | | 19 | 6,210 | 25 |
| Total | 1,300 | 57,000 | | | |

These figures are collated from Government statistics for 1976. They relate to firms having an annual turnover of less than £150,000 (wholesaling less than £600,000; motor trades £300,000; manufacturing, 200 employees; and construction, 25 employees).

## Role of the City

By Christine Moir

WHEN THE Wilson Committee, which is investigating the financial institutions and their relations with British industry, finally publishes its report (probably at the end of June), is is likely to contain a minority report from the Trade Union representatives urging the City to establish a new source of finance for industry.

The background to this is the growing political awareness of *the value to the economy of* promoting new small businesses.

The report, which will have the backing of the TUC, recommends the creation of a National Investment Bank, underwritten by the Government, but with finance supplied by the pension funds and insurance companies. It suggests that Government direct the institutions to place on call with the bank between eight to 10 per cent of their annual inflow of funds. At present rates in inflow that would amount to some £350m a year.

In addition the report may suggest that a further £1bn be made available to the bank from North Sea oil revenues.

The scheme is sure to meet fierce opposition from the financial institutions. They argue that they already pour more than 10 per cent of their income into British industry, either directly by investment in individual companies, or indirectly by subscribing on average a third of their funds to Gilt-Edged Securities. A substantial element of Government funds raised through the Gilts markets, they argue, finds its way into British industry.

They will also believe that the sums suggested by the TUC lobby are far in excess of the reasonable financial demands of industry not already met by existing media such as the Stock Exchange. The Industrial and Commercial Finance Corporation, part of the City-established Finance for Industry group, for instance, has been able to invest only £330m in industry in the past decade in spite of widespread promotion of its services. Equity Capital for Industry, set up three years ago to fill another supposed gap in industrial needs has barely got going.

Apart from the scheme for a National Investment Bank the final Wilson report is not expected to dwell in detail on the specific financial problems of small businesses. These were fully covered in the special report: "The Financing of Small Firms," which the committee published in March last year.

In the main, the report concluded, the financial institutions viding finance for small busidid a fairly good job of pronesses. The clearing banks might relax their requirements for security rather more and might put themselves in a better position to advise less experienced businessmen on general problems, but overall the report found no bias against small businesses except that of commercial prudence.

### Concessions

The report did recommend, ohwever, that the City could help provide equity finance for smaller unquoted companies — one area where demand seems to outstrip supply — through specially created Small Firms Investment Companies.

These would be quoted investment trusts designed to take share stakes in unquoted companies. Special tax concession could be allowed to investors in SFICs, it was hoped, to offset the disadvantages of the high risk burden they would have to carry.

So far the suggestion has not been taken up in the City. To start with the sort of vehicle envisaged could not obtain a Stock Exchange listing until it had established at least a five-year track record and met the Exchange's tight requirements for tangible assets. This might prove well nigh impossible for a SFIC which, by definition, would have a high proportion of assets with negligible or subjective value.

This does not mean that the Stock Exchange has not itself succumbed to the growing political pressure to be seen to be concerned with small firms and their capital needs.

It has in circulation at present a set of rules for an entirely new market for unlisted securities (USM) to replace its twilight trading zone under which specific transactions in *made through the market under* unquoted companies may be Rule 163(2).

Briefly, the proposed new rules would allow companies to join the USM after a track record of only two or three years rather than the five laid down for listed companies. The Stock Exchange would waive some of its charges for them and demand simpler details of performance and prospects thus reducing the cost of flotation. A minimum of 15 per cent of the company's equity would have to be offered to the public compared with the 25 per cent listed companies must offer.

Companies in the USM, the Stock Exchange stresses, would *not be listed and investors* would need to take full note of the extra risk involved. But their performance would be monitored and they would have to comply with most of the Stock Exchange's rules on disclosure which would make them much less shadowy than the present 163(2) companies which the Stock Exchange does not vet at all.

Meanwhile, the City institutions are continuously increasing their equity investment portfolios by individual tailor-made deals with private companies.

Industrial and Commercial Finance Corporation (ICFC), established by the Bank of England and the Clearing Banks, still takes the lead in this area and markets its services with a degree of aggressiveness which some entrepreneurs find surprising.

ICFC's experience with start-ups, a third of which have failed and only 44 per cent of which are firmly established has deterred many institutions from similar programmes.

However, a number of venture and development capital companies do exist and appear to be flourishing. They range from joint ventures such as

CONTINUED ON NEXT PAGE

# FINANCE FOR SMALL COMPANIES II

## How big companies can aid small ones

ONE OF the more dramatic developments in industry during the past two years has been the sudden surge of interest shown by large companies in helping small businesses.

Some individual companies have launched their own intiatives, but many more have *joined together in local trusts* and agencies to channel managerial and other expertise.

On the surface, these developments initially looked as if they might develop merely into an exercise in corporate responsibility, with large companies parading their social conscience in carefully controlled, publicity-oriented campaigns. Many of the companies attracted were those often associated with "do-good" type of works, and the problems of high unemployment and inner city decline seemed natural targets for their caring attention.

It is now clear however that the motives of most (but not all) of those concerned is much more hard-headed and commercial. As a result, companies which initially kept clear are now taking a keen interest, particularly if they want to help develop an area where their own businesses are being run down and men are being declared redundant.

But while companies are prepared to spend money helping solve small businessmen's problems, they are not usually prepared to invest their own funds in the businesses. The only private sector exception to this is Pilkington, which is subscribing £1.4m to a small business venture capital fund which it has set up to reinvigorate the industrial base of its home area in the north-west. In the public sector, BSC Industry invests in small projects to help steel closure areas.

Pilkington, along with BSC Industry, has been one of the pacemakers in providing help for small firms. But it was Shell UK which was primarily responsible for generating a lot responsible for generating a lot of initial interest in different parts of the country about two years ago. Now companies involved include BP, ICI, British Oxygen, GEC, IBM, Cadbury Schweppes, Delta Metal, the Birmingham Post and Mail, R. M. Douglas Construction, GKN, and Lucas Industries. Banks and financial institutions such as Barclays, National Westminster, the Midland and the Industrial and Commercial Finance Corporation, have also joined some of the joint agencies.

### Three areas

Broadly the help that companies provide falls into three main areas. First, like Shell, they can organise projects such as business competitions and research reports which help generate interest and knowledge.

Secondly, they can offer general managerial aid to businessmen, or can help to finance and staff some of the joint trusts and agencies. Thirdly they can use their own specialists to provide technical help to small businessmen facing problems developing theinr products. (In addition they can spin off unwanted product ranges or subsidiaries as self-contained small businesses, as is explained in the article as management buy outs.

ICI was another of the first companies to become interested in providing help, mainly because it has had to slim down its workforce but does not believe in forced redundancies. It has therefore tried to ease people into voluntary redundancy and early retirement by helping to create new jobs. In areas such as the north-west and north-east it has set up resettlement groups and has joined forces with local authorities and other organisations and companies to foster potentially viable new businesses. It has found that a handful of employees out of every hundred or so have been interested in starting up on their own, normally in service and consultancy businesses rather than manufacturing.

The best known of the joint agencies and trusts is the London Enterprise Agency which was created early last year by nine large companies and banks, plus the London Chamber of Commerce. Since then large companies have combined with Chambers of Commerce, and sometimes local authorities, in various other centres such as Manchester, Birmingham, Leeds and Bristol to set up similar ventures.

One of the first to be set up, before the London Agency was the St. Helens Trust which was formed in July 1978 with the primary aim of tackling unemployment on a long term basis. It aims to select entrepreneurs, rather than products — "The starting point for the Trust activity is the individual with the idea, the drive, and the energy to undertake a business venture," said a report on the Trust's early work. Clients have ranged from individual craftsmen to a quoted company, and from handicrafts to projects on the fringe of new technology.

Surprisingly, it says that it has found that people wanting to start new businesses rarely lack finance—"It is the relatively larger project needing major capital that is still-born through lack of capital." But it adds that a lack of financial advice, especially where publicly funded aid is concerned, is a serious problem. It also supports the current view of the Government that it is a lack of premises which is the key problem—and is working out ways to help.

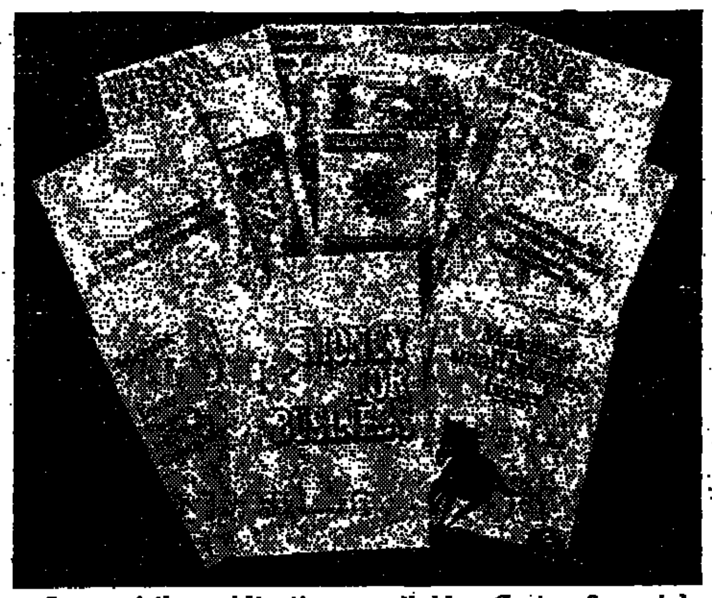
The main work of the London Agency has been helping small businesses with a wide range of problems, using managerial resources of its nine backers. Together with the Industrial and Commercial Finance Corporation, its two clearing banks —Barclays and the Midland— have been specially insistent that they do not offer special terms to the Agency's clients. They have therefore mainly contrbuted by helping the headquarters' work. Other companies have been more involved in providing help direct to small companies.

Some 40 cases were handled in the first nine months, ranging from helping a small plastics company to tackle a stock control problem with organisation and methods experts, to enable a theatre lighting manufacturer to solve technical problems and so find a financial backer.

The large companies in London and elsewhere have found that a by product of giving the help is that the people they send out to the small businesses gain valuable experience by being exposed to a type of operation which they would never encounter in their normal work. There is, therefore, a potentially useful training element, although there is also a problem that the people involved find it difficult to adapt usefully to life in a small concern.

Not unaturally, all these activities are sometimes distructed and and resented by small businessmen who value their independence and do not want to be forced or inveigled *into accepting the help and* influence of other people. Small businessmen would also say that the best way for large companies to help would be to pay bills on time and to show some sympathy with liquidity problems. The larger companies' initiatives are however helping small businesses survive, and maybe even thrive, through lean economic times.

**John Elliott**



*Some of the publications available offering financial advice for the businessman*

**Despite its aversion to providing direct State aid for industry, the Government has kept two sources of help for small businesses in being. One is the Department of Industry's counselling service and the other is the National Enterprise Board.**

## Advice is available from experts

A SMALL local businessman is unsure about where he can look for funds other than his local clearing bank. Another cannot decide whether he should expand his business within existing premises or look for an entirely new location. Yet another is uncertain whether he should even be considering expanding or whether he should close down his business.

These are the sort of questions which are among the day-to-day problems increasingly being considered by counsellors attached to the Department of Industry's Small Firms' Service.

The counselling service was first established, in pilot form, in 1976 in the South-West region, where ther is a broad range of service, manufacturing and agricultural businesses. Counsellors were (and still are) sought by a variety of means, including advertising and by recommendation.

Their backgrounds need to be in medium- and small-si-business, often as owners of their own companies. Many are retired or semi-retired and have not only a broad knowledge of their own but can call upon experts to provide specific help and information.

Since 1976, the service has been extended throughout the UK, being operated through the DoI in England, and through the respective Development Agencies in Scotland and Wales. Today, there are 130 counsellors, each of whom is paid £20 for each day of counselling, plus expenses. A recent Parliamentary answer disclosed that, in 1978-79, the counselling service cost £600,000. The 1979-80 figure will clearly be higher since they will include figures for the last two regional services introduced.

It is difficult to asses the full impact of the service since more time probably needs to be given before a comparative picture can be established. So far, more than 6,000 cases have been dealt with by counsellors, who may often have more than one session with each businessman who has sought help.

The service is broadening its scope all the time. Workshops and forums which initially were held only in major cities and towns are now being run increasingly in smaller towns as well. At these sessions, any local businessman can attend, ask questions and seek advice.

### On the spot

Often, they find that their query can be dealt with on the spot, but many also are taken a stage further with individual counselling sessions at the local small firms centre, or even at the businessman's own premises.

The trend has been for around 70 per cent of inquiries to come from service industry companies. Eighty per cent of businesses concerned employed up to 25 people, with a very high proportion of these in fact employing ten people or less—thus highlighting the extent to which the service is actually reaching "small" firms.

A point made recently by a counsellor at a local forum was that a large number who believed they had a financial problem were under a misconception. Instead, they often could solve their difficulty by reappraising, with the counsellor, their difficulty and subsequently concluding that, say, they had a production or market difficulty which could be resolved within existing financial resources.

The most recent innovation in the service is the tie-up by the Eastern region with the Post Office Superannuation Fund to provide finance to small firms. The finance is available by way of equity, plus loan—the interest rate on which is less than market rate.

More than 100 inquiries have been received in this region. In the initial analysis by the counsellors, the majority have been rejected, but five have now been processed by the fund itself. Of these, two have been approved in principle, two are still awaiting a decision, and one has been rejected.

Although no sums are being disclosed by the pension fund, it is believed that the amounts involved where the two dealse have been agreed in principle are between £60,000 and £80,000 —which is perhapse a bit higher than many initially expected from the scheme.

A further nine investment propositions are now in the pipeline. The scheme is, for the pension fund, a pilot project which will be assessed after one year's operation. One of the factors which prompted the fund to set up the project was to establish whether, in fact, a need for this type of funding actually existed.

According to Mr. Quartano, head of the Post Office fund, the need has already been established to his satisfaction. But in the eventual determination of how successful the operation is consideration will have to be given to whether there are major administration problems.

As Mr. Quartano points out, the assessment of a £50,000 project is time consuming and may require more effort than a £5m investment proposition where a major appraisal has been done by a merchant bank even before the PO fund is approached.

Meanwhile, it is likely that a link between the counselling service and another pension fund will be announced fairly soon.

**Nicholas Leslie**

## The NEB: Limited help on offer

PROVIDING HELP for small businesses, especially in areas o fhigh unemployment, is one of the primary tasks given to the National Enterprise Board by the Government. This is being confirmed in the Industry Bill now before Parliament and in operating guidelines which will soon be finalised.

The NEB's overall role in industry has been drastically cut back, as has its budget, and its main operating areas in the future are to be assisting companies in the high technology field, helping in the regions, and providing limited finance for small businesses.

All these ventures will have to be conducted in *partnership* with the private sector in order to fit in with the Bill and guidelines, and the NEB will also be expected to sell its interest in companies once they have become sufficiently viable to survive on their own.

In practice, this formalises broad policies that have been followed by the NEB for the past couple of years, apart from the requirement to sell wherever possible. In the past the NEB has sometimes sold companies, but it has also held on to profitable concerns in order to help fund its loss-making operations.

Since it was set up in 1976, the NEB has made about 50 equity and loan investments averaging about £300,000 each in small businesses. All have be nin manufacturing industry, and the number of employees has ranged from seven to 250. There have been several businesses with about 40 employees. There has also been a considerable number of companies with between 10 0and 250 employees, mainly businesses seeking fresh investment to finance expansion into specialised premises.

About a dozen of these investments have now been disposed of. Some have been sold as profitable, or potentially profitable, enterprises. But several have been closed down because of poor performance. The loss-making closures include J. & P. Engineering, which made medical scanners; TRE, which made liquefied gas cylinders; Vicort, which manufactured sports equipment; and Pakmet and Mayflower Packaging, both of which produced packaging machinery.

One example of the NEB successfully helping a company move into new premises is Sandiacre Electrics of Nottingham, which now employs 45 people and makes control systems. Started 10 years ago, it moved around various industrial estate premises but then needed its own specialised factory. Its bank and the ICFC were already heavily involved, and another backer was required for the bank to extend its lending to cover new buildings. The NEB has now invested £165,000, and the company last year made a profit of £30,000 on sales of £1.3m.

Another example is Hydraroll which makes equipment for roll-on loading of commercial vehicles. Helped by a £125,000 investment from the NEB, it has set up a new factory in Anglesey and last year made £22,000 profits on sales of £200,000, employing about 10 people.

The NEB's regional organisations have also set up two specialist subsidiaries to help small businesses, one of which has been something of a success while the other has been a failure. The first is Sapling Enterprise, which the NEB has set up jointly with Collinson Grant Associates, a Manchester based firm of management consultants. It will provide financial and managerial advice to any small business willing to accept a £50,000 investment from the NEB, thus helping to solve managerial as well as financial problems. So far, it has been responsible for three investments.

The second investment is Newtown Securities (Northern) which was set up in 1978, jointly by the Midland Bank and the NEB to make loans to small companies. It has only made two investments and the advantages of merging the local knowledge of High Street bank managers with the funds of both the bank and the NEB do not seem to have materialised. The NEB is likely to close the project down soon, handing over two investments to the Midland which has expanded its own more general small firms' work.

Other financial institutions with which the NE Bhas linked u pin specific projects include the ICFC, Barclays Bank, the Small Business Capital Fund, Norton Warburg and Touche Remnant.

18 in 1977 to 29 in the follow-

In the past year or so, the NEB has been investing a total of about £5m annually in small businesses and it is likely to continue to do so under its new budgetary arrangements which are expected to provide about £10m a year for its combined regional and small firms' role. It has had fewer inquiries about possible projects since last year's general election cast doubt over its future. But its new Board is now finalising its plan for future work and will be looking for fresh ventures in partnership with the private sector.

**John Elliott**

## Role of the City

CONTINUED FROM PREVIOUS PAGE

Moracrest, jointly owned by the Prudential British Gas pension funds and the Midland Bank, to in-house organisations within the pension funds and merchant banks, in particular.

The National Coal Board pension funds have perhaps the largest direct investment in development capital situations. Set up in 1974 their industrial finance division, under Mr. Lionel Anthony, the deputy director general, has £75m invested directly in industry.

In common with the other institutions, the NCB funds admit that investments in very small companies, or individual investments below a certain level, are difficult to administer, absorb too much management time and need much closer relationships than the funds can offer.

One solution to this problem is the establishment of joint venture companies funded by the pension funds but managed by specialist venture capital executives.

The NCB funds, however, are only a part of the patchwork of companies and schemes developed by City institutions which offer loan, equity and development capital to small businesses in a variety of forms.

Sir Harold Wilson's report on small businesses almost certainly hit the nail on the head when it questioned whether the problem was not one of supply but of information about the supply of finance. Sir Gordon Richardson, Governor of the Bank of England, expressed much the same view when he said: "I am puzzled by the apparent lack of financial inquisitiveness of a number of would-be entrepreneurs."

For this reason, the Bank of England and the City Communications Centre in 1978 published a guide to private and public sector sources of finance, called "Money for Business." More than 200,000 copies of this have already been sold and a new edition should be published this summer. The guide will include a revised directory of the City's and Government's institutions involved in industrial finance and will be available for £2 from the Bank and the Centre.

**Christine Moir**

## FINANCE FOR SMALL COMPANIES III

# Clearing banks wary of loan guarantee schemes

ONE OF the key questions facing the Government in developing its policy towards small companies is whether there is a need for a clearing bank loan guarantee scheme—and if so what form it should take.

The clearing banks—traditionally the main source of finance for the small company—have been quick to respond to criticisms that they have failed to do enough for this sector of the economy with an increasingly sophisticated package of financial services for the small businessmen. They have, however, treated the proposal for a State-backed loan guarantee scheme with more than a little caution.

O nthe other hand, some organisations representing small companies see the setting up of some form of loan guarantee scheme as essential, if the problems, caused by what they argue is an over-cautious bank lending policy, are to be overcome.

The idea of a clearing bank loan guarantee scheme is not new. It has, however, been the subject of more serious debate and discussion duing the last few years.

In particular, the interim report from the Wilson Committee, gave the debate a new impetus by recommending that a State backed guarantee scheme, with a limited subsidy element and some part of the risk retained by the banks, should be set up on an experimental basis as soon as possible.

Since the interim report was published last year specific proposals have been put forward by bodies like the Small Businesses Bureau and the Union of Independent Companies.

But since the previous Government's attempts to persuade the clearing banks to set up a scheme by themselves came to nothing, it is perhaps not surprising that the banks are treading cautiously.

The banks remain unconvinced that there is a need for a guarantee scheme although they accept that the provision of security against a loan can sometimes be difficult for the small businessman.

They also have reservations about whether loan capital is appropriate "start-up" finance and are unsure about how the cost of bearing the "risk premium" in any guarantee shceme should be shared. In addition, they fear that despite the obvious advantages of a guarantee scheme to the small company, "ver-generous lending" associated with such a scheme, could create its own problems, leading to further criticism of the banks.

Nevertheless, the Government has completely rejected the case for a loan guarantee scheme and the clearing banks themselves are "investigating the merits of such a scheme."

Some of the clearing banks are also involved in pilot projects. One of the most interesting projects was launched last year by the Welsh Development Agency, initially in conjunction with National Westminster Bank and subsequently extended to involve Barclays and Lloyds banks.

Under the scheme, the agency agreed to guarantee bank loans of up to £50,000 over ten years following an investigation if the applicant "lacked the security the bank would normally expect or his track record in business was insufficient." Loans were to be provided at the normal bank loan interest rates and the Agency was to charge a commitment fee of 1 per cent per annum flat.

However agency blames the difficulties on "a misunderstanding about the purpose of the scheme"—which was primerily designed to aid small companies with cash flow problems by providing short term loans.

### Sceptical

The Government is expected to review the workings of the WDA scheme before deciding on the shape of any guarantee scheme it might propose. The banks, for their part, view the scheme as too limited to draw any definite conclusion. At this stage they remain sceptical but unwilling to rule out the possibility of a State backed scheme altogether.

If the banks have shown a lack of enthusiasm for innovation in the field of guarantee schemes they have been quick to respond to other criticisms. Business advisory services, special loan packages and small equity schemes are now among an array of financial services on offer to the small businessman by the High Street bank manager.

Undoubtedly, some of the schemes which have found their way into bank counter-top brochures represent little more than the expert re-packaging of old ideas in an attractive way.

Nevertheless, the range of special schemes is impressive—if not bewildering—and it does give the impression, at least, that the clearing banks really do care about the small company.

The banks do, in fact, claim they are doing more for the small businessmen and by way of evidence NatWest, for example, says that the take-up of its Business Development Loans increased by 90 per cent last year. Loans outstanding under this scheme now total £350m.

In common with similar medium-term loan schemes run by other banks NatWest has held down interest rates on the loans at a time when other interest rates have soared.

Last year NatWest extended the BDL scheme to cover repayments over 10 years—a move reflecting a major trend among the banks to lend longer.

Among the more significant developments are recent moves among the major clearers to break with banking tradition and segment bank lending and attempts by the banks to integrate themselves more effectively into the small business community.

Lloyds Bank, for example, has recently completed a 10-month series of 50 seminars across the country on the theme of "How to Build a Better Business." The seminars, attended by both local businessmen and bankers, were designed to provide an "information exchange" on how Lloyds Bank could help small companies develop. The results of the seminars are now being analysed.

Lloyds, which last year followed the other major clearers by announcing two new small firm loan schemes, the Asset and Enterprise Loan schemes, last month appointed Mr. John Kirkwood, a local branch manager, to be the bank's small business finance adviser.

### Crash course

His task will be to advise the Bank on the development of the existing range of services tailored to the need of small enterprise and on the design of new products to meet the needs of small firms. Barclays Bank has followed up perhaps the most striking initiative—sending 2,000 of its 3,000 bank managers on a one-week crash course in basic management accounting run by the accountants, Arthur Anderson—with systematic training of its managers in how to look at small businesses in a more sophisticated fashion.

Barclays also runs a Business Advisory Service for small — Advisory Service for small firms. The service, which consists usually of a consultant visiting a small company and writing a report on its systems' needs, is free to the bank's customers. So far, some 6,000 full reports have been completed.

Earlier this month, Barclays became the first clearing bank to support the Government's drive to encourage private sector finance to help build factory units in the Assisted Areas. As a result, Barclays is to invest £5m in nursery units built by the English Industrial Estates Corporation.

However, despite these intiatives it is the Midland Bank which is generally accepted as having led the field in doing things for the small company.

Last year, Midland set up the Independent Business Banking Unit to "co-ordinate Midland Bank Group's existing services to small businasses and to act as a focal point for research into and development of further services."

One of the unit's first tasks was to administer the first 20-year loans, introduced last year by the bank. The long-term loan scheme provides loans ranging from £20,000 to £500,000 over periods ranging from 10 to 20 years and is designed to provide funds for independent businesses "which due to limitation of size, have no direct access to the capital market."

Midland claim that there has already been a good demand for this form of extended loan fixed or floating interest rate charge.

Although some of the banks, particularly Lloyds, have steared clear of becoming involved in equity financing preferring instead to direct companies to the Industrial and Commercial Finance Corporation in which the clearers are the major shareholders, Midland has also pioneered this field of banking activity at the small company.

Midland is involved in a series of companies willing to take a minority equity stake in small businesses. The best-known is Moracrest, jointly owned with the British Gas pension fund and Prudential Assurance, and Meritor, jointly owned with the Rolls-Royce pension fund.

However the bank's experience of equity finance funding has been disappointing. Midland is thought to have invested less than £20m in this way in fewer than 50 projects. It appears, therefore, that the small businessman prefers to borrow money—despite his criticisms of bank lending policy—rather than sell an equity stake in his company.

**Paul Taylor**

# Management buy-outs

HOW CAN a loss-making company immediately become profitable simply by a change in its ownership? The answer is a management buy-out.

The reasoning behind this step may sound obscure, but it is, in fact, quite simple and goes like this: a subsidiary within a group of companies is incurring losses and its parent company, feeling that the subsidiary does not quite fit the group pattern, decides to sell it. The subsidiary management are given the option to buy the company. They accept, raise a small part of the purchase price themselves and the larger part through borrowings.

On completition of the deal, certain administrative functions formerly handled on a group basis — computerised auditing, for example—are taken over by the newly-independent company, lifting a hefty financial group service charge from its shoulders. In the process, the former subsidiary moves back into profit.

This a simplistic—though not entirely theoretical—example of what can be achieved with management buy-outs. But it does provide an illustration of the scope availabl when managements buy out their companies—scope which increasingly is being recognised not only by subsidiary company managements themselves and the senior directors of industrial groups, but also by those financing organisations which are called upon to put up the bulk of the purchase price in such deals.

The increasing pre-occupation with management buy-outs is due to a variety of factors. Among these is the greater general enthusiasm for "doing your own thing" in business, together with a realisation that this method of hiving-off a small company from a group offers one of the best alternatives to an industrial group which wishes to partialy deconglomerate.

There is probably substantial potential for buy-outs among larger companies which have endeavoured to diversify into new areas through acquisitions but which have subsequently found that their offspring really do not fit into the structure of things as well as they might.

Equally, it might be that a main board does not see sufficient growth potential in a subsidiary—even if it has some synergy with the rest of group activities—and wishes to release the capital tied up in it to invest elsewhere.

### Attractive

One of the advantages of hte second category is that, from the subsidiary management's point of view it can rely to a considerable degree on continuing to supply some form of service to its former parent company, thus giving it a good base from which to embark as an independent concern. As such, it is a much more attractive investment opportunity for the financing organisation which is putting up the major part of the purchase money.

Among the best credentials for a management buy-out are not only that the company be a subsidiary within a group to which it is providing some form of service of product, but that a high degree of autonomy, it should also be operating with which makes for a much smoother split from the parent.

There is, however, a fair chance that, being in a group, it may suffer from some management weakness, be it financial, marketing or otherwise, due to some functions being handled on a group basis. An injection of such management expertise would almost certainly be required by the financing company as a pre-condition to funds being made available. The view of many banking organisations is that if outside expertise is drafted in, it is a good idea for the person concerned to be given the opportunity of buying a stake in the company to avoid a "him and us" situation.

Without doubt, a management planning to buy their company out of a group has a better chance of financing the deal than if they set up on their own from scratch. Such deals are, in fact, very attractive to banks and other finance houses. The business they are backing has a track record, with established business and connections.

It has a professional management probably more skilled in such techniques as cash flow, and profit forecasting. And it will have a top management committed financially to the company being successful.

These factors would apply whether the buy-out involves a company removing itself from a group or whether it falls into a couple of other categories. These are the independent private company where the owner wishes to retire and sell the company to its on-going management, or whether it is a company forming part of an insolvent group and is being bought from a receiver.

### De-merging

De-mergers as envisaged by the Government's new measure to ease the potential tax liabilities involved, do not seem to fall within the management buy-out classification. In general, de-mergers will involve splitting a conglomerate into separate parts, but essentially under the same ownership—that is, by issuing shares in the split-off subsidiary to the shareholders of the parent company.

While banks and other financing organisations are sympathetic to the idea of financing management buy-outs, few have in fact been done by them. An exception is Industrial and Commercial Finance Corporation, which is owned by the main clearing banks and the Bank of England.

ICFC's activity in this area is expanding rapidly. Two years ago it financed around 10 such deals. This rose five-fold the following year and, although there have been indications that it is expecting to do 50 deals in 1980-81, it seems quite possible that it is actually targeting for as many as 80 buy-outs in this period.

Financing of these deals takes many forms, depending on the circumstances of the company and the management involved. For this reason, banks are not keen to divulge specific sets of terms.

However, with a deal for, say, £500,000, the top management buying the company (generally, one or two people) can put up as little as 10 per cent of the purchase price, yet will still have a majority holding in the equity. The financing company will buy a minority holding, with the balance of the £450,000 comprising a mixture of loan and preference shares. The loan interest will be related to minimum lending arte, but there may be a short period when the loan is interest free or just postponed.

What is extremely likely is that, in deciding what type of finance it is prepared to offer, the financing organisation will pay considerable attention to the cash flow projections of the company being acquired. This is largely because, in contrast to the situation with a traditional business loan, very little security can be pledged to such deals. No charge of any sort can be applied to the company's assets because that is illegal.

Nonetheless, while this may appear to be a bigger risk than banks normally are willing to take, management buy-outs are in fact considered to be relatively safe.

**Nicholas Leslie**

# Hire purchase and leasing help provide assets

INFLATION and high interest charges have made the provision of capital assets by outright purchase very expensive for smaller companies in recent years. This is at least so for those which need to borrow any substantial proportion of their working capital. After all, the gross profit return on investment in new plant has to be considerable if it has to cover 20 per cent or more for interest before direct operating costs, depreciation, overheads, capital pay-back and reasonable risk return.

Hire purchase and leasing finance have therefore supplied a growing need, especially for the smaller company bearing the brunt of the cash control of their larger customers. The corporate treasurer of the large company can increase cash resources, or achieve significant savings, by operating to the limit of suppliers' credit.

HP was the acquisition method most commonly use up to, say, the early 1970s because it had several attractions. Most obviously, the cost of purchase was spread over a period of, usually, three or more years. This enables the purchases/user to put the whole of the asset to productive use while limiting immediate outlay. The company can thus—subject to the built-in financing cost, a known factor when entering into the contract—increase its return and cash-flow in the early years. In inflationary times it is, of course, favourable cash-flow which is so priceless to the smaller company fighting to control working capital.

In the past it is probable also that the tax advantage lay with hire purchase. In the days of the investment allowance, a one-for-all allowance given on first acquisition and use which did not write down the asset for tax purposes, tax allowances were available on the full purchase cost of a qualifying asset at the outset. Similar considerations still apply to the 100 per cent first-year allowance available on most plant except motor cars and buildings.

It is motor-cars and containers, in particular, which have dynamised the market for leasing. The main container users, shipping companies, have never needed the tax allowances on smaller items of their assets because they have enjoyed such large allowances on the free depreciation of ships as to make any further allowances unnecessary. Leasing provided the perfect answer. The lessor can obtain the tax allowance and is therefore able to quote competitive leasing terms which effectively utilise the allowances the lessee cannot otherwise use.

Shipping and container companies hardly qualify as smaller companies, but the principles established on the container-leasing boom were soon followed by a decision of the Special Commissioners of Income Tax that leased motor-cars could also attract the 100 per cent first-year allowances in the hands of a lessor because, to the lessor, they were plant.

## Fringe benefits

Just as the first push towards containerisation had boosted the leasing trade, therefore, this decision — not widely known at first, because such decisions of the "specials" are not reported — spread like a bushfire. Its importance took on a whole ne wmeaning in the days of pay pauses, freezes, phases and restraints. Fringe benefits were wtih us; and the second biggest of them all (after pensions) were cars. These were not only provided for the directors as hitherto, but for senior managers, middle managers, junior managers, directors' wives, senior managers' wives, and so on.

Here lay a difficult problem for Government. Pensions range from good to excellent for the Government's and local authorities' own employees, but are only patchily available in the privaet sector. Cars are the reverse: you have to be a very senior civil servant to enjoy occasional use of one, while approximately 70 per cent of all new cars are reckoned to be bought by business. A great many of these must be leased.

Action has now followed. First, there was some tightening up of the more outrageous uses of leasing which were providing large tax-free benefits and circumventing distribution tax legislation for close companies.

Next, there was a restriction of the 100 per cent FYA's for leased cars. This, however, has had only a marginal effect on the cost of such leasing and was in any case avoidable according to one method of calculating the allownces (not as yet, conceled by the Inland Revenue and now stopped by clause 64 of the Finance Bill). The latest instalment has been a whole series of fiscal measures in the Chancellor's March Budget.

The important provision in the recently published Finance Bill are contained in clauses 60 to 70. These are, as might be expected, detailed and complex. Some detail may well be altered in the course of the Bill's passage. The important change requires that to qualify for 100 per cent FYA, the asset must be *used* for a qualifying purpose.

Qualifying purpose can be demonstrated if the lessee would have been able to claim 100 per cent FYA had he bought it himself. He must also be conducting a trade in the UK. The only other circumstance in which the FYA is granted to the lessor covers cases of short-term rentals.

Effectively, these provisions seem designed to discourage public bodies such as local and area health authorities from the leasing market which many have been increasingly using to avoid the impact of expenditure reductions on capital budgets. (One reason why local rates go up inexorable, despite "cuts"?)

All this would appear to leave the smaller company lessee in a trading operation relatively unaffected. Indeed, that is the intention. Other fiscal measures will reduce the attraction of leasing for the private individual who has been using it, and his wife, in a nice little deferral of some of the recent years' highest personal tax bills.

However, this source of leasing finance will probably be comfortably absorbed by the big banks, and their finance subsidiaries, who would much rather lend money in this way. They receive the caiptal allowances against their profits; they make better reurns than on overdrafts and control the asset legally without all the problems of debentures, mortgages and other charges.

## Misery

This is the rub. The accountancy bodies have been worrying about "off balance sheet finance," as it is called. The problem was highlighted by the crash of Court Line, the travel airline operators. Subsequently, the operator's jet aircraft, widely seen in the company livery, were found to be owned by some one else. The result, as Micawber said, was misery for the creditors.

The accountants' answer, which is far from popular in many quarters, is to show the leased assets in the lessee's balance sheet as well as the outstanding liability. This applies to financial leases which are for a greater proportion of the working life of the asset. The Inland Revenue have said that the tax treatment would accord with the legal documents rather than with the accounting treatment in this instance.

There is a conceptual difficulty for many people in bringing into balance sheets figures representing assets which are not owned by the business. On the other side, this may be seen as giving a greater degree of realism to the accounts because they will then show all the assets in use.

There are no general rules to compare the comparative costs of buying outright, leasing or HP. It is almost certainly true that a company with its own cash resources would find it cheaper to buy outright than use either of the other methods.

But this begs the question of the alternative uses to which that cash might be put. Comparing HP and leasing will depend on cash-flow projections for the quotations obtained at the point of investment. Those cash-flow calculations must incorporate assumptions about general levels of interest, taxation rates, allowances and payment dates, as well as assumptions specific to the users business such as actual sources and costs of finance. At least the CCAB proposals may make the effect on balance sheets more comparable.

In the meantime, while money is tight and expensive and profits hard to come by, financing re-equipment by hire purchase and leasing seems to have long-term growth prospects. These methods bring together in the market those who have the resources with those who have a need to use them in a way which can be less fraught with friction than floating debt.

**David Tallon**

*The author is a partner in the London office of Dearden Farrow, chartered accountants.*

# Budget aimed to improve climate for 'having a go'

ON THE face of it, one of the best items of news recently for the venture capital market was the Budget proposal in March for personal losses incurred on investments in small private companies to be allowable against income tax. Over the past couple of years, as arguments about the need for/lack of/terms for venture capital have raged on there has often been speculation over first, whether such a measure would be introduced—even by a Conservative Government — and, second, how effective it would be.

Goven the dearth of information that exists on how many new company start-ups each year are backed by private rather than institutional money, it seems unlikely that any measurable effects of the proposal will appear in the short term.

However, what the Chancellor's move has probably done, first and foremost, is to improve — just a little — the climate for start-ups, which is hopefully a step forward. It has often been said that the better regard which exists in America for those prepared to "have a go" is a feature which differentiates that country from the UK, not only in terms of the public attitude but also the outlook of Government.

Availability of venture capital—that is start-up "risk" finance as against second-stage "development" capital—has for years been more widely available in the U.S. than in the UK, although in the early 1970s there was a substantial weeding out of sources of such money in the States—after the heady days of the 1960s—when the market turned down and venture capitalism suffered financial losses and the disappearance of a number of venture capital companies.

However, while the venture capital market in the U.S. subsequently recovered, its nature changed and, these days, they have become uch more selective. For the most part they are very substantial growth potential technology areas of electronics.

The market has also been changing on the Continent, certainly among the handful of institutionally-backed venture capitalists which three or four years ago were making a concerted effort to build up portfolios of investments in new companies across a reasonably wide spread of activities, though with leanings towards low rather than high technology-based concerns. Now, it appears that within the last year or so these venture capitalists in France, Germany and Holland have been through a period of re-thinking their strategy and retrenchment.

Meanwhile, in the UK, there has, if anything, been a broadening of the venture capital field—although, to be strictly accurate, what seems more likely is that some long-established an dmore recently set up development capital companies have been showing a willingness to back small companies with second stage financing at an earlier point than they were previously prepared to contemplate and backed with less security than previously demanded.

## U.S. expertise

One of the most recent developments has ben the setting up by Pilkington Brothers, Britain's largest glassmakers, of a venture capital company called Rainford Venture Capital. Pilkington has put up nearly £1.4m of the £2m that Rainford initially has available for investment. Prudential Assurance has provided leum and Industrial and Commercial Finance Corporation each putting in £50,000.

Initiall, investments will be made in small companies in the St. Helen's area in Lancashire where Pilkington is based.

Significantly, Pilkington turned to the U.S. for management expertise. Venture Founders, a new UK offshoot of Venture Founders Corporation, of the U.S., is the management company. Its managing director is Brian Haslett, who although British born has spent many years in venture capitalism in the U.S.

Rainford will, though, be very selective with its investments, spending a lot of time on checking out the potential of each project and staying in close contact when the investment has been made. Such an approach is believed by many in the UK to be too expensive an approach, and one prominent UK financier was prompted to describe Rainford as "an interesting experiment."

Many of the UK's clearing banks—which already provide the bulk of business funding through overdraft facilities—have become more active in fashioning packages that, if not start-up capital, may provide small companies with longer-term money than might previously have been available.

## Willingness

Institutions such as pension funds and investment trusts have also showed greater willingness to cater for the needs of small embryonic companies. An interesting development on this front was the Post Office Superannuation Fund joining with the Eastern Region of the Department of Industry's Small Firms Counselling Service last year to make funds available. Two investments have either been agreed in principle, or are on the point of being sanctioned, and similar link-ups are being organised in other regions.

But the actual numbers of investments being made by these institutions are still relatively small, certainly where start-up venture capital is concerned.

The bulk of early-stage risk financing is still supplied by just two institutions — Industrial and Commercial Finance Corporation and its subsidiary, Technical Development Capital) and the National Research Development Corporation.

ICFC, through its network of offices around the country, last year funded over 250 start-ups (though that can mean a business with a short track record) and supplied many more with second-stage development capital. Though it is occasionally criticised for turning down what are believed by some observers to be good investments, ICFC believes that it endeavours never to reject what it sees as a worthwhile proposition. It has certainly adjusted itself in more recent years, no doubt due partly to pressure from competing institutions like the NEB, to meet the needs of small businessmen by having a far broader spread of expertise in its regional offices. Whereas at one time the majority of executives would be accountants, now their disciplines take in business graduates, engineers and others.

For the most part, ICFC invests by way of equity—though it doesn't ask for majority stakes, usually aiming to seek up to around the 30 per cent mark—together with some form of loan.

The NRDC, on the other hand, operates on a somewhat different basis, since it invests essentially in projects which represent some form of technical and innovative advancement. This may mean it will provide funds, may be equity and loan, to a new company but it might just as easily be backing a project in a larger concern.

The corporation's other means of financing is to provide funds on a step-by-step basis, with its return being based on a percentage of sales of the product being developed. The point about this method is that, if the product fails to find a market, the NRDC has to bear the loss. The company developing the unsuccessful does not have to repay such project finance.

**Nicholas Leslie**



# Allowing entrepreneurs help on taxation

THE MARCH Budget was a sombre affair, in which very little was given away. A series of concessions for small businessmen was announced, however, and while the total value is estimated at only £160m in a full year, the changes represent a significant shift in direction. The new rules mean that the State is no longer going to exact the last penny in taxation from the small businessman, but will adopt a more relaxed attitude—in keeping with the Tory philosophy of giving tntrepreneurs elbow space in which to operate.

The key concession is in close company legislation. At the same time it becomes much easier to lend to small companies and to write off investment in them for tax purposes. The small companies' rate of corporation tax was reduced from 42 to 40 per cent and the VAT registration threshold raised from £10,000 to £13,500.

The whole concept of close companies is severely undermined in the lossening on the rules on apportionment, which have been in existence for the past 50 years. As far as trading income is concerned, apportionment—the treating of undistributed profits not needed for the maintenance or development of a company's business as if they were distributed—is abolished entirely.

While apportionment will still be applied to investment income, the threshold here is raised from £1,000 to £3,000, and in practice it should be possible to ensure that income falls into the appropriate category. The relief does not extend to estate income, however, of which 50 per cent will still have to be distributed unless it can be shown it is needed to develop the business. The reson why this concession—at which many businessmen will breathe a sigh of relief—is not worth more in money terms is that trading profits in recent years have anyway been reduced by the effects of first-year allowances and stock relief.

Investment in the share capital of close companies will be encouraged by the relaxation of the rules governing tax relief for interest paid on borrowing. Provided that the investor already holds, or by reason of his investment acquires, 5 per cent of the ordinary share capital of the company, tax relief will be available. The requirement that the borrower must also work for a greater part of his time in the company is abolished. Similarly, relief can be obtained on funds borrowed to lend on to close companies in such circumstances.

A further encouragement which will apply to equity investment in all unquoted trading companies, whether close or not, is the provision of income tax relief on share losses. The loss must have arisen either from the sale of the shares on arm's length terms, or from the liquidation of the company or as a result of a claim that the shares have become worthless. The shares themselves must have been acquired by subscription at full value. The companies must be resident in the UK, while those dealing in shares, securities, land or commodity futures are specifically excluded.

## Pensions

Another front on which the Chancellor provided help for small businessmen was on pensions. Sir Geoffrey Howe said: "It is important that the self-employed should be able, with tax assistance, to make adequate provision for their retirement." Accordingly the limits on retirement annuity relief were raised, with the normal percentage of earnings qualifying for tax relief going up from 15 to $17\frac{1}{2}$ per cent and the £3,000 ceiling on the premiums for relief being abolished.

A small workshop scheme was introduced, to run from three years from the date of the Budget, in which 100 per cent first-year capital allowances for building small industrial buildings will apply, rather than the normal 50 per cent initial allowance. The allowance will also be given on the construction of industrial buildings rather than on their first letting, as was previously the practice.

Small companies will also benefit from measures that were mainly directed at big business. The main relief here concerns pre-trading expenses such as salary, establishment and utility costs which are incurred before the trade has commenced for tax purposes. These expenses were previously not allowable againsta tax, but from now on they will be treated as incurred on the first day of trading and therefore be allowable. Raising loan finance will also qualify, although the costs of raising equity capital remain disallowable, as does the cost of convertible loan stock if it can be converted within three years of issue.

Finally, small businessmen may be able to take advantage of the establishment of half-a-dozen "enterprise zones," where theire will be 100 per cent first-year capital allowances for all industrial and commercial buildings and complete relief from Development Land Tax. These tax concessions are tied to others, such as 100 per cent de-rating and abolition of all industrial development certificate procedures.

**David Freud**

Picture the scene:

On the one hand, a man born, bred and hardened in the West Riding, running his own small chemical company.

On the other, a man born, bred and hardened in West Byfleet, running a large investment company somewhere in the City.

The only thing they have in common is money.

One needs it. The other has popped up from the City for the day to see if he can help.

But it's going to take more than the knowledge of the finer points of finance.

Because, financing and also helping smaller businesses is a highly specialised and local affair.

And frankly, no one can help you better than ICFC.

That's because over the years we've dealt exclusively with small businessmen, so we reckon to understand them pretty well.

You'll see what we mean if you contact one of our offices dotted around the country.

Each one is run by a man who knows the area and the people like the back of his hand.

He will understand you and your problems so his advice will always be worth listening to.

More importantly, he may well be able to help you with long-term capital, anything from £5,000 to £2 million or more.

Not bad for a local lad. **ICFC**

# "Hello Mr Chalk, I'm Cheese."

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# FINANCE FOR SMALL COMPANIES VI

**Institutions are gradually filling the financing gap left by the decline of the family investor in small businesses. These articles examine three case studies of institutional help from ICFC, the NCB pension fund and the NEB—and also examine the role of the "Aunt Agatha" family benefactor.**

## When potential lies in ability, not assets

INDUSTRIAL AND Commercial Finance Corporation, a subsidiary of Finance for Industry, must be one of the major sources for small company finance. It was started shortly after World War Two and is 85 per cent owned by the English and Scottish clearing banks and 15 per cent by the Bank of England. In its time, ICFC has invested more than £600m. At present, it has a total of £330m invested in industry, represented by over 3,000 companies.

One of ICFC's recent investments, through its subsidiary, Technical Development Capital, has been a company called Logal Associates, a Henly-based operation which has matched engineering skills and computer programming ability to produce an unusual consultancy for the engineering industry.

The company was formed as a husband and wife partnership in 1974 and last year it was incorporated as a limited company.

Frank Logan obtain his engineering grounding in his father's sheet metal company. Later, he worked in a number of industrial concerns in South Africa before becoming a planning engineer for Wilmot Breedon.

There, he became increasingly interested in using computers for measuring production times in mechanical engineering. After being "head hunted" by ICL, his computer experience was broadened, but he felt the cash restraints on ICL, at that time, limited the company's ability to expand in the direction Mr. Logan was particularly interested. Thus, in 1973 he moved to the Italian subsidiary of a U.S. company, Science Management International, but he soon left to start on his own business.

Work measurement is essential in factory activities. Not only does management need to know how long each job will take, for production control, costing and estimating, but it also needs the information for calculating wages and bonuses. The trouble with work measurement is that, while it needs skill, it is often a time consuming and boring occupation.

At the risk of oversimplifying a highly technical process, Mr. Logan's idea involves the use of drawing office's designs and, by use of computers, turn this data into a detailed manufacturing analysis—putting "technical drawing into the end product," as he describes it. The system, which he calls "Locam," will take the drawing and produce a step-by-step manufacturing - process description, identifying the manual skills, equipment and time required at each stage.

By using the system, the industrial engineer can allow the computer to take over a large proportion of the clerical element of the job and the analysis is provided much faster than by manual methods.

Mr. Logan's first clients were in Italy, while the breakthrough in the UK came with a job for GEC Machines in Rugby in 1978. Mr. Logan produced the system, installed the software, and trained 45 people at GEC in the system's operation. The fee was £85,000, spread over a year. The exercise established Mr. Logan's company in the UK. Other clients, such as Wadkin, Weir Pumps and recently, Ford, have followed.

### Nervous

Success brings its problems—and often it is a shortage of finance. While the company was adding to its list of clients, it was facing large costs for development training and installation. Mr. Logan was financially "up against it at this stage" and he approached the usual sources of finance for help. New ideas tend to make financiers nervous and here was a business based on ability, rather than hard assets which could be sold if something went wrong. Most of those Mr. Logan approached were not interested —but not so ICFC's technical subsidiary.

Last year, ICFC put up a straight 16 per cent loan of £31,000, invested £4,000 in a 28 per cent equity stake and provided hire purchase finance on new equipment for a further £45,000. There is still another £20,000 available should Logan Associates need it.

It is obvious why ICFC was attractive for Logan Associates —it had the money and and established reputation for helping small businesses.

Why was Logan Associates attractive to ICFC? Mr. Ian Armitage of ICFC takes up the story: "Firstly, there was the man's experience as an engineer and as a computer consultant. Also, while the company had a short track record it still showed good profits potential. Finally, our in-house technical advisors examined the business and saw a definite place for the "Locam" system. Demand can only increase."

With ICFC's backing, Mr. Logan sees his company moving into the U.S. market later this year and in the future there is the possibility of vertical integration so that the company will evolve "turnkey" projects.

Eventually, Frank Logan sees that there might be a case for wider ownership, but this is not seen as a short-term aim, either by Mr. Logan or ICFC which is adopting a policy of investing more in software firms. Initially, the aim for ICFC is to see the loans repaid and a dividend on the equity.

Beyond that, the financiers want to be in at the start in what they see as a fast expanding company. Last year, Logan Associates made a profit of £46,000 on a turnover of £150,000 and according to Mr. Ian Armitage, Logan Associates could double its turnover in the next couple of years.

**Terry Garrett**

## NCB pension fund to the rescue

IN 1974 the Ronald Lyon construction to property group collapsed and ended in the hands of Cork Gully as receivers. With it crashed Atcost, a wholly-owned subsidiary specialising in standard concrete frame buildings for industry and agriculture.

Atcost was a substantial business with a 30-year tradition. In the 1974-75 financial year it had made profits of £400,000 pre-tax on a turnover of £6m employing a staff of around 600. Its immediate problem following the collapse of its parent company was the need to repay a £250,000 inter-group loan. A number of potential buyers looked the business over but no firm offers eventuated, so the business was carried on under the supervision of the receiver.

At that point, the countrywide recession began to bite on the order book and by the 1975-76 financial year Atcost, with heavy borrowings of its own, was showing pre-tax losses of the same size as the previous year's profits.

However, the board, under Mr. Michael Stubbs, the chief executive, believed in the company's future and tried to devise schemes which would bring the company out of receivership and into the hands of the senior executives.

Given the size of its workforce and a turnover, at that time, of around £7m, Atcost could not strictly be classified as a small business, but its executives, who planned to try and take over the business themselves, certainly qualified as small businessmen. They had previously been employees without an equity stake in the business. Their own financial resources amounted to personal savings. Their route to eventual control of Atcost, therefore, is a useful case study.

From the time of the crash Atcost's financial affairs were under the direct control of Cork Gully which, as Mr. Stubbs readily admits, provided considerable support and was enthusiastic about the executives' plans. So, too, was Lombard North Central, the company's main bank creditor.

For all their support, however, no workable scheme could be devised until 1978 when Mr. Stubbs and his colleagues approached Development a private venture capital investment group, headed by Mr. Hugh Armstrong.

Mr. Armstrong put the men in touch with the National Coal Board pension funds, which had been investing directly in industry since 1974, but to date had not carried out any form of equity investment.

The pension fund took only three weeks to approve a package devised between its managers and Development Capital. Under the scheme the executives were given 52 per cent—and control—of Atcost, while the NCB funds took 42 per cent and Atcost's own pension fund bought a 6 per cent stake.

The details of the scheme were complex. The NCB funds' equity investment was to be in ordinary shares but ones which carried a preferred dividend linked to a proportion of profits over a certain level. In addition, it offered a normal fixed rate debenture. If the interest or dividend are not paid the funds have options over sufficient of the remaining equity to give them control of the company in case things go badly wrong.

### Profits up

The package proved to be the turning point of Atcost's fortunes. By September, 1977, profits of £100,000 pre tax could be seen, growing to £296,000 by 1978 and £383,000 last year. Turnover also rose from £7.7m in 1977 to £14m last year and the employee roll rose to 800.

The NCB funds continue to have a close and direct contac with the company. Dr. Peter Palmer of Development Capital is the fund's representative on the board. He reports quarterly to Mr. Lionel Anthony, the NCB's deputy director genral and the head of its industrial finance division. In addition, the NCB funds meet the Atcost board about two or three times a year.

There are tentative plans for Atcost to be floated as a public comany but, at present, these represent a long-term objective of the board and the NCB funds rather than an immediate programme. Meanwhile, as Mr. Stubbs says, "the relationship is marvelous," though he adds cautiously "of course we've been doing well, until now."

Growth so far has been organic, but the next phase is for a degree of diversification. The first move along these lines is the recent acquisition from its receivers of Barvis, a small Norwich company with a staff of 70 producing specialist precast concrete structures for major buildings. Including an injection of working capital, Barvis cost Atcost £150,000 which came from Atcost's own internal resources.

Another acquisition is planned, but the cost will not be so easily met. It is likely to involve the closure of an existing factory with the loss of 60 jobs as the building stands on four acres of industrial land which could be more profitably utilised for industrial development.

At that point, life may not look as untroubled as it has done for the past two years, but meanwhile the pension funds and the new owners of Atcost describe themselves as very content with their partnership. The success so far as certainly helped to accelerate the funds' involvement with other forms of direct equity investment in smaller businessmen's dreams.

**Christine Moir**

## A small concern growing too fast

RIGBY ELECTRONICS is a Manchester-based company (turnover: £500,000), in which the National Enterprise Board has held a £75,000 stake since February, 1979, with an unexercised option to invest a further £75,000. It was one of the first companies to join the NEB's Sapling Scheme, which is a joint venture between the NEB and the management consultants, Collinson Grant Associates, to provide guidance to smaller companies handling problems associated with rapid growth.

Rigby Electronics was founded in 1972 by its present managing director, Mr. Brian Rigby. It manufactures electronic high-vacuum equipment, sequential control equipment, and infra-red machine guards.

### International

When the NEB moved in, says Mr. Rigby, "the company was expanding at a rate which couldn't be funded from profits. It was a question of going forward or going back."

The company had grown from a local electronic sub-contractor to the producer of a range of products with national and, ultimately, international sales potential. The machine guards, produced by its Electroguard subsidiary, were developed to "state of the art" level, with increasing sales potential as safety standards become more rigorously enforced, he says.

But Rigby's borrowings were reaching 75 per cent of net assets, the upper limit agreed with its bankers, Midland.

"Asking for more money when you're buying an enormous machine is not so bad. But when it's for design, they understandably get very nervous," says Mr. Rigby.

The NEB link-up came more or less by accident, says Mr. Rigby. His company had a technical agreement with another local firm, General Electronics, which approached the NEB. Rigby and the NEB became acquainted, and it was mutually felt that Rigby Electronics would fit well into the emergent Sapling Scheme.

Mr. Rigby declines to disclose company profits. But, he says, the sales of machine guards, where the NEB money was mainly channelled, have doubled year-on-year, and will account for around half next year's group sales.

The Sapling Scheme involves monthly consultations between Mr. Rigby and representatives of the NEB and management consultants. The last month's performance is reviewed, together with projections for the next three months.

"I outline a profit and loss account, a source and application of funds and a balance sheet every month. That is one of the advantages. For a couple of days I look at the situation from a strictly factual point of view," says Mr. Rigby.

The Sapling Scheme does not call for "any 'say' in ultimate decisions, or any influence, except by intelligent comment," says Mr. Rigby. "What I find advantageous is that discussing things with somebody outside the company, you look at things differently. We were doing this sort of thing before the NEB came in, but now it's more formalised."

If an NEB share sale were to include the Rigby holding, "it wouldn't change us, because there are plenty of people who would want to buy the holding. Although small, we're in a high-technology situation," says Mr. Rigby. But he sees the Board as providing the Government with a valuable vehicle "for stimulation of skills, to allow high-technology companies to go forward."

**Robert Cottrell**

## Still a role for Aunt Agatha...

AUNT AGATHA may be alive, but just how well she is is open to question. There was a time when she would have been happy to lend a portion of her capital to a favourite nephew or niece in order that they might get some apparently brilliant business idea off the ground. Her reward, with a bit of good fortune, would then have been sufficient income or capital appreciation for her to see out her old age in considerable comfort.

But, these days, Aunt Agatha is essentially a term used to describe any relative, friend or acquaintance who is prepared to put up money to launch a new venture. It is highly unlikely that there are that many aunties with large amounts of unfettered capital to fund the creation of a company.

Not that it is necessary to have completely unfettered cash to invest in some ambitious scheme. Aunt Agatha could just as well pledge some of her assets to guarantee bank loans to one of her relations and this is, indeed, a method of financing that is used in the UK and, probably to a greater extent, in the U.S.

But, given the multitude of alternative, and safer, investment opportunities that have become available in the past 20 years or so—particularly with the growth of investment trusts and unit trusts and other insurance linked schemes—it is questionable whether Auntie should in fact even be considering taking such a risky step as investing in a company start up when statistics show that as many as 80 per cent or so fail within a few years.

While the private investor in new ventures is, it appears, far from extinct, his nature has probably changed somewhat over the years. He may well have made his fortune from starting up his own business, but rather than looking within his own family circle for likely ventures to back, he will be casting his net rather more widely.

For him, the fun is much more in finding an original product to back, rather than financing some young relative's small engineering or retailing business. Yet, if it is originality he is looking for he will, in fact, be competing with institutional investors. For that is precisely what pension funds and other financing institutions also are looking for. Therefore, he will have to settle for something less than ideal or offer better terms or take bigger risks.

### Write off

Of course, with the absence (until the recent Budget proposal) of any means to recoup investment losses personally, the majority of "Aunt Agathas" probably do not make their investments out of private savings. Instead, the successful small businessman seeking a promising project will invest in it through his company. This way, if the investment fails, he can write the losses off.

It is an interesting point whether the proposal will, in fact, encourage more private investment in small companies. Many observers of this particular market doubt that it will, partly because they feel that those prepared to take such a risk already have the means (such as a business of their own) to do so with less personal risk.

In the past few years, as the argument about whether there is sufficient venture capital available has taken place, it has repeatedly been argued by the institutions that it is not their job to provide the seed capital that is used to actually get a business off the ground. They maintain that, traditionally, this has been the role of the "Aunt Agatha."

Although a number of institutions have made encouraging noises about being more willing to help the small businessman to make a success of his venture, it seems unlikely that any large-scale shift in this direction will take place among the institutions. "Aunt Agatha" will always have her place.

**Nicholas Leslie**

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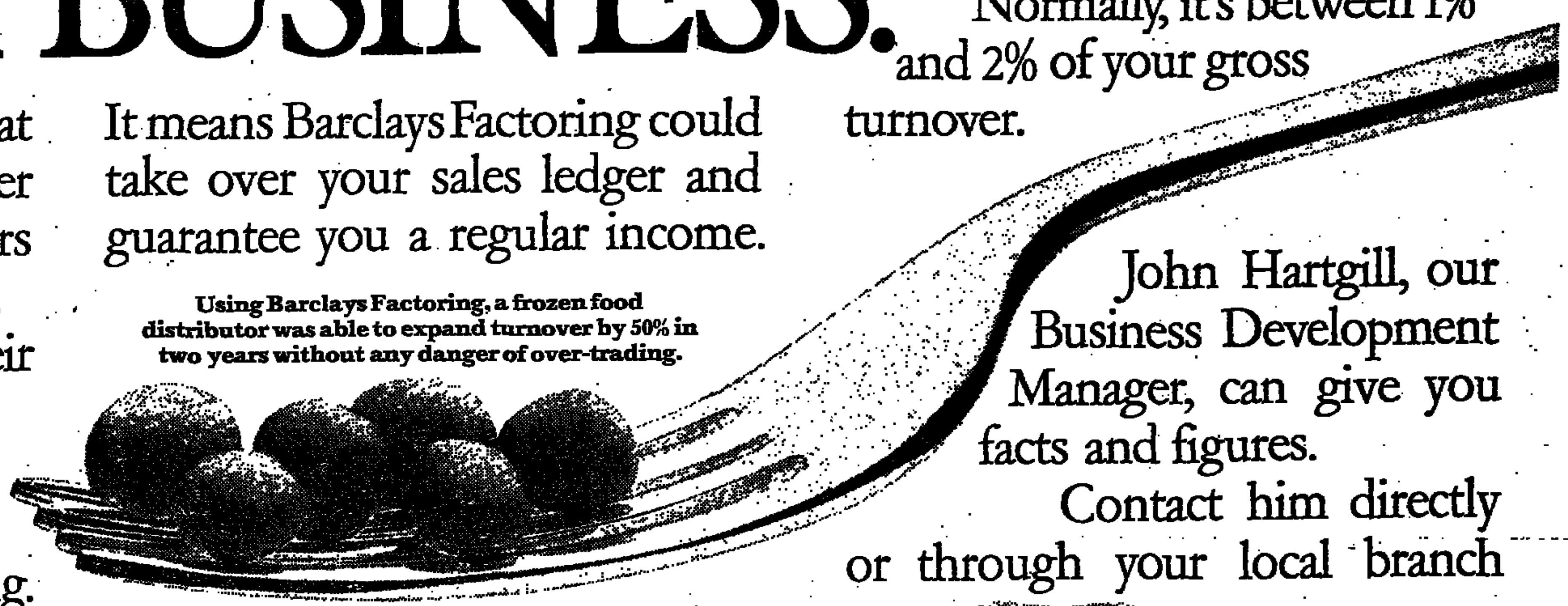

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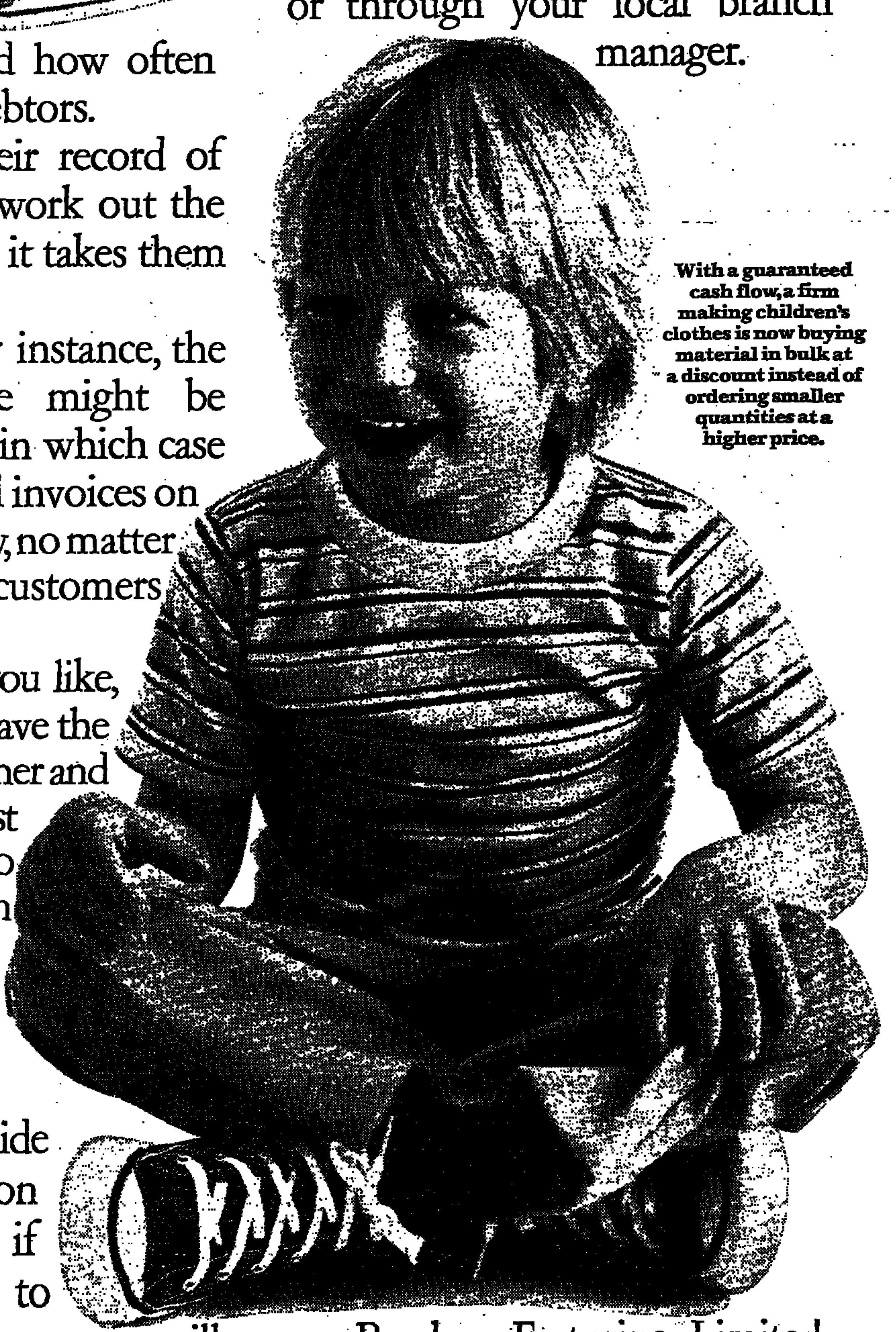

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# Where to go for export finance

SMALL BUSINESSMSN making their way in foreign markets have a comprehensivxe range of export finance facilities open to them, from the 20-year-old City establishment, such as the discounts houses and export and confirming houses, to the 60-year-old Government-created Export Credit Guarantee Department.

The clearing banks, as a group, also play a central role in providing export finance through their international subsidiaries, and special factoring companies, too, are important in offering schemes by which exporters can offset their trade credits.

The ECGD is the single largest operator in the field, however. In its last financial year, to April, 1979, it insured a total of £14.5bn worth of exports, a 12 per cent increase on the previous year.

But the costs of its insurance policies are becoming less attractive to the smaller exporter. In mid-February, the ECGD doubled the premium it charges for bank guarantee facilities for goods sold on an open account, from 25p per £100 insured to 50p.

The reason is clear in last year's profit and loss account for the ECGD. Claims paid out during the year amounted to £134m while premiums received were only £108m.

The ECGD internal investigations have revealed that one major element in the shortfall was open account business which has been increasingly losing money over the past five years or so largely due to the insolvencies of British exporters.

Export business, based on bills or notes exchanged but carried out between exporters and buyers with close associations, will carry a similarly increased premium, again because of insolvencies. Normally, bills of exchange provide the ECGD with specific protection in case of a collapse of one party, but where the two parties are inter-linked the security is frequently ineffective.

Despite the increase in costs, however, most exporters find the protection of an ECGD scheme invaluable in raising finance from their banks. A further attraction is the experience the ECGD's long track record can provide as to problems which can be expected in markets or with companies the exporter may not personally have encountered before.

Where exporters have cause for complaint against the ECGD, on the other hand, is in the time taken to process their applications for export cover. In difficult overseas markets, exporting groups have complained, processing takes up to six months. Even in normal markets, applications are taking six to eight weeks for processing whereas 10 to 14 days had been considered usual.

The ECGD's problems are those common to most Government-associated organisations: the need to cut costs. Although the department does not require State-financing, it has been expected to cut staffing and services levels across the board since the new Government instigated its programme of reduction of public bodies.

One area of services over which the knife now hangs is the ECGD's lesser known overseas investment insurance scheme. This was established to provide cover for companies entering foreign markets by projects or investments in those markets rather than by export of products.

## Unhappy

ECGD executives have not been happy with the scheme for some time and the £60m of claims recently paid out on Iranian projects insured under it has intensified their desire to close the scheme. It would save jobs, they argue, and in any case it is too risky. Meanwhile, the scheme is in existence and could provide a source of finance for certain overseas-oriented companies.

The British Overseas Trade Board, another valuable source of aid to small, new exporters, has also been told by Government to cut its budget and staff, and increase costs to its customers.

The biggest cuts will be made to services to large overseas contracts but there is also to be nearly £1m saved by increasing charges to companies exhibiting at overseas trade fairs.

One important service, however, has escaped the cuts—so far. This is the BOTB's Market Entry Guarantee Scheme which is designed to help companies entering foreign markets.

Introduced in 1978, the scheme has now offered financial support to 172 applicants. It can provide up to 50 per cent of the costs involved in setting up a new export market in return for a levy on sales which ultimately should provide the BOTB with a commercial return on its investment. The minimum contribution is £20,000 and the maximum £100,000 over five years.

The ECGD and the BOTB between them provide valuable sources of permanent insurance and aid. One of the roles of the clearing banks has been to complement this by more event-oriented export finance.

Under such schemes the banks obtain their own cover from the ECGD an dthe exporter merely applies to the bank without having to arrange prior cover with the ECGD.

All the clearing banks offer such schemes. The Midland Bank, through Midland Bank International, has recently updated its own version of it.

Under the MBI scheme the maximum turnover allowable for the smaller exports scheme is £250,000 (previously £100,000) and the maximum single export transaction £15,000 (£10,000). The scheme has also been widened to include transactions under taken on an open account basis without the security of a bill of exchange.

Under the scheme, the exporter simply signs a straightforward agreement and provides evidence that the goods have been exported. He can then obtain up to 90 per cent of the invoice amount for which he pays fixed interest of 1½ per cent over base rate plus a flat 1 per cent charge to cover the bank's own insurance with the ECGD and handling costs. The scheme is intended to cover sales with credit periods up to six months plus a reasonable shipping time.

Midland believes its scheme is becoming increasingly attractive to exporters, in part because of the increased premium charges now being levied by the ECGD.

The bank claims that a number of exporters with regular customers in countries with a low political risk no longer see the need for comprehensive permanent cover from the ECGD. Instead, they want a specific package for particular exports or exports to new buyers or countries.

It also claims to be winning customers from small firms whose expor tturnover is too small or intermittent for ECGD comprehensive cover to be suitable. Applications for bank schemes of this nature certainly tend to win approval in a much shorter time than applications to the ECGD.

Another Government aid scheme which can provide finance for would-be exporters is linked to the Product and Processes Development Aid Scheme set up by the Department of Industry in 1977.

## Extension

This was designed to help manufacturers in the stage between design and commercial production of a new product or process. Since it was introduced, the scheme has provided £46m to 367 applicants. In the main, applicants can expect to obtain 25 per cent of the costs during this period.

Now Sir Keith Joseph has announced that he is studying an extention of the scheme to help companies develop specific products aimed at the export markets.

The range of Government aid schemes for exporters, therefore, remains wide at a time when Government policy generally is to cut back on State aid in the light of its philosophy that success in industry depends on industrialists standing on their own two feet.

One scheme which falls neatly within this philosophy is the self-help organisation established by a series of major companies in London just over a year ago. The scheme, known as the London Enterprise Agency, is designed to put small companies in touch with larger ones which could provide advice or joint ventures.

The LEA is now to expand into specific export help. In September it is mounting an exhibition in the Festival Hall at which it will invite small companes to exhibit products which they believe have export potential and would benefit from links with major companies with established export businesses.

The agency is only a small example of the flexibility of industry and the financial institutions in devising packages which would help the small exporter. The real problem is not availability of export finance and aid but information about where such aid can be best obtained. The ECGD's facilities are almost certainly known to even small businessmen, other such organisations may not be.

It is not widely known, for instance, that export finance insurance cannot generally be obtained from Lloyds of London whose underwriters are prohibited from writing credit insurance.

But an association of credit insurers does exist which can put firms in touch with sources of export finance. The money brokers, of course, offer valuable services, but perhaps the most obvious place for exporters to turn for advice is its own clearing bank.

**Christine Moir**

*An example (above) of factory and warehouse units, ranging in size from 2,950 to 7,400 sq ft on one of Warrington New Town's industrial estates.*

*Below: A section of the recently-completed Bilton Industrial Estate which forms a small industrial "pocket" in the township of Hawkesley, seven miles south of Birmingham city centre. This estate has 21 single storey factories, of which half have already been let to a wide range of small industrial companies and some subsidiaries of public companies. Rents range from £1.85 to £2 a sq ft and leases are for 24 years with four-yearly reviews. The joint agents are Edward Erdman and Co., and Grimley and Son.*

# A serious shortage of business premises

OF ALL the problems confronting small businesses, the task of finding suitable premises in which to operate invariably ranks very high on the list.

It is now widely accepted that a shortage of small industrial premises exists in the UK and there is rarely any difficulty in letting those units which are available.

The reasons for the potentially damaging situation and some recommendations for improving the position were set out in a recent report prepared jointly by Coopers and Lybrand, the management and economic consultants, and Drivers Jones, the chartered surveyors.

The report, which was released at the time of the Budget, was used by Sir Keith Joseph, Secretary for Industry, as evidence that town planning excesses of recent years and the failure of developers and institutions to finance small business premises had combined to wipe out a large proportion of the type of premises in which small companies flourish.

The study claimed that excessively rigid planning policies, which still continue in some areas, had made it impossible to press on with new developments and to replace the large numbers of industrial units which have fallen victim to widescale demolition programmes.

To illustrate just how serious the shortage has become, the report pointed out that one-third of all the small business schemes studied were fully let before development was even complete and three-quarters were over 60 per cent pre-let. Within six months of completion, around 85 per cent of space had tenants.

In an Inner London borough, for instance, there were 34 inquiries for every unit below 2,500 sp ft which was advertised while a new development in Stockton comprising ten small units attracted 120 applications after one single advertisement. Even in areas where there have been fairly significant small factory programmes in recent years, such as Telford and Peterborough, the ratio of inquiries to available units remains high.

In examining the planning reasons for the shortage, the report drew attention to the long-standing reluctance of various public bodies to make surplus land available for development, particularly when the land in question is located in inner city areas. But the authors suggested that local authorities in particular have become more aware of the disadvantages of holding unutilised land assets.

It is acepted, however, that an increasing number of authorities are taking a more positive role of identifying and assembling parcels of land for industrial and other forms of development. The controversial Local Government Planning and Land Bill is also intended to ensure the release for developent of unwanted local authority ment of unwanted local authority-owned land and Mr. Michael Heseltine, Secretary for the Environment, seems to have put the relaxation of planning controls and the speeding up of the development process among his policy priorities.

The Coopers/Drivers Jonas report showed clearly, however, that the long time taken to gain planning permission and the uncertainty of the type and range of conditions attached to planning consents by local authorities can invariably provide an important source of delays and higher costs to developers and tenants alike.

## Benefits

The report suggested that considerable benefits would accrue from a system in which proposed small factory schemes (possibly of below 2,500 sq ft) in zoned manufacturing-warehousing areas would be deemed as having planning consent unless the local authority decides otherwise within a statutory period which could be in the region of eight weeks.

The joint study also made a plea for local authorities not to automatically treat small industrial developments outside established traditional zones as unacceptable. It suggested that incompatibility with development plan zoning, which is often of a blanket nature, should not of itself rule out small factory schemes. The report claimed that such schemes should be refused—even in residential or mixed commercial areas—only if there are clear environmental reasons, such as noise or some other form of disturbance.

But much of the document was taken up with an appraisal of the traditional financing arrangements for small business premises and a call for more private sector involvement in an area where the public sector has been predominant.

The small business premises market, said the report, can provide profitable investment opportunities, as long as it is approached in the right way. It suggested that the unprofitable and risky image which is attached to the small premises sector stems from a number of reasons, the most important of which could be the virtual absence of a proper commercial market.

With very few exceptions, institutions have shown little real interest in the small unit development, largely because such schemes are so clearly different from familiar warehouse investments and because of limited experience and understanding of this sector of the market.

In the absence of their involvement, the provision of small business units has invariably fallen to public bodies such as the local authorities and new town development corporations, which have undertaken schemes on a non-commercial basis or without any clear basis or without any clear financial criteria. Often, the commercial relationship between costs and rents has not been understood.

But the report emphasised that it did not believe additional financial incentives (beyond those of industrial building allowances, regional development grants and inner urban area funds) should be provided to developers and financial institutions in order to encourage them to enter the small factory market.

It claimed that profitable investment opportunities existed without the necessity of subsidies and that outside financial help was disliked by institutions who were likely to interpret it as implying a commercially unsound market existed. Neither, said the report, did short-term subsidies help ensure the longer-term income growth that institutions normally require in addition to a good initial yield.

The last Budget did, of course, provide additional incentives in those areas which the report considered acceptable. Industrial building allowances for units of 2,500 square feet or less have been raised from 50 per cent initial allowance and 4 per cent annually to 100 per cent intial allowance.

The arrangement will run for three years and is additional to the simplified arrangements for administration under which the allowance will be paid to developers on construction instead of on occupancy.

Already, the National Coal Board pension fund has agreed to provide up to £15m for building small factories in a oint development programme with the State-owned English Industrial Estates Corporation. Legal and General Assurance is already working on schemes with the Corporation and now Barclays has announced that it, too, is to invest, via the Corporation, in small factory development.

There are, at last, signs that the institutions which alone could transform the market for small business premises are beginning to sit up and take an interest.

**Michael Cassell**



# Quick cash from factors

CASH FLOW problems can be one of the biggest headaches for any business—and for the small company the problem can be acute. Sheer lack of money, to cover increased working capital needs, may prove one of the overriding factors limiting the growth of many small businesses. There are obvious traditional lines of credit and assistance, yet many small businesses lack the asset base to support hefty borrowing.

There is a source of cash in every company—its sales ledger. If the debtors would pay up faster, the cash could be there to re-invest in further manufacturing materials. This is where factoring, and its closely allied invoice discounting, can play a part.

Factoring is no panacea for an ailing business, but it is a useful tool for an expanding company. Certainly there are cheaper lines of credit, but for a small company it does provide a cash injection and can lift away the worries of debt collection from the small businessman whose ability is probably in manufacturing and selling rather than spending time on the phone chasing his debtors.

The various factoring companies offer a service which varies in detail but in a nutshell the factor will pay over up to 80 per cent of the face value of an invoice with the balance later on a preset date. So immediately a company invoices its debtor it gets a substantial cash injection. There is an interest charge on the amount paid over and a fixed fee relating to the company's turnover.

It is no bargain and while it has a place for the growing company it should not really be regarded as a firm borrowing base for the long term future of the company. There should come a time when the company generates enough cash flow to run its own show. If it fails to do so something is probably wrong.

The concept of factoring has been around for more than a decade, but it has taken a long time to catch on. Even now, many businessmen only have a vague idea what it is about. However, it has started to get under steam in the last couple of years.

The latest figures from the Association of British Factors, which represents all the leading factoring companies and probably accounts for over 90 per cent of the market, reported that business had increased by 28 per cent to £1,707m in 1979. This represents a gain in the last two years of some 75 per cent and is even more impressive measured against the figures of the early seventies. In 1973 the combined volume of business was only £200m.

There is one big difference in the type of factoring you can get—with or without recourse. One does not insulate the company from bad debts and one does. The type of factoring which does give bad debt cover, without recourse, is not surprisingly the more popular, but there is a case for other.

International Factors, a member of the Lloyds and Scottish Group, is a fairly typical factoring company in the "without recourse" mould. Mr. John Lenton, its marketing and sales director, breaks down the service he offers clients into three broad catagories.

The full factoring service offers sales ledger colation, invoicing and collection of debts. In providing protection against bad debts, International will pay the client regardless of whether it has collected the the debt, and of course between 75 per cent and 80 per cent of the invoices' face value is paid over at once.

## Agency

Then there is agency factoring which applies where the client already has a good sales ledger system at work. Here, the factor is providing bad-debt underwriting and again up to four-fifths of the money up front.

Finally, there is invoice discounting where the client runs the sales ledger, sends out the invoices and collects the money himself. International will advance 75 to 80 per cent on the whole ledger or selected clients and the client pays back International when the cash comes in. There is no bad debt cover, so if the debtor does not pay, or is late, the client still has to make the repayment to International on the due day.

The "with recourse" factoring fraternity is led by Alex Lawrie, which was set up in 1962 as the financial arm of Alex Lawrie and Co. an East India tea merchanting organisation. It, too, is now a subsidiary of Lloyds and Scottish having been taken over in late 1975.

Mr. Warwick Hughes, marketing controller of Alex Lawrie, admits that the offering of bad debt cover which the majority o fother factoring companies do sounds a good idea. But, he argues, the major factoring companies are subsidiaries of banks and "they are in it for a profit," which this reflects in their charges and also the limits that they place on the amount of business that they will factor with any one customer. Those offering bad debt cover understandably take a different viewpoint.

According to Warwick Hughes, the ultimate responsibility should lie with the client but he says "When we do a prior investigation we advise what to do to reduce the bad debt risk and—because we are not out on a limb, if there is a bad debt—we are more flexible in the amount we will factor. If a bad debt does cause financial problems to our client we will spread the repayment over a number of months."

Alex Lawrie also seems more willin gto take on smaller companies. Mr. Hughes says that his company will take on a client with as small a turnover as £50,000 a year. John Lenton looks for a practical minimum in his clients of £150,000. Both say they will consider smaller companies if they see that there is potential for rapid growth.

The cost of the service varies. For example, Alex Lawrie charges an administration fee of between ¾ to 2½ per cent of a client's turnover, depending on the amount of work involved. The money advanced against the invoice will attract an interest rate of 2½ per cent over finance house base rate. International Factors charges a similar range of service fees, but the interest on the money advanced is charged at 3½ per cent over base rate.

The advantages for the small businessman are self evident. There must be something comforting to know that cash will be flowing into the company at a steady rate.

Factoring companies make a critical investigation of any company they take on. They go into a lot of detail, and as John Lenton put it: "We put two people into the company for a day, and they almost do a mini-audit."

The biggest faults they find in small entrepreneurial companies is often the lack of regular management accounting and careles posting in purchase ledgers.

They will also examine the company's customers. Around 99 per cent of the time the large customers will already be known to the factor from his other clients, so he will soon know if they are sound players. If there is an bovious bad debt risk, a factor offering a "without recourse" service is obviously going to think again.

## Soeed paying

It is during this prior investigation that the factor will assertain the average debt repayment period and that will determine the time factor for paying across to the client the balance of the invoice due less any fee. Factors usually reckon that they can speed up the repayment period by a few days as well.

One of the big fears among most prospective clients is how their customer will react. This is probably not as important a point as it was a decade ago. Factoring is more widely known—at least to a client's bigger customers who probably have several suppliers using factoring services—and the factor is obviously not going to win friends if he goes out demanding payments and looses his client half his customer list. But, undoubtedly, bringing in a third party must change relationships in some ways. Possibly, lines of communication can become more stretched.

One innovation in the past year has come with the lifting of exchange controls. International Factors has launched a currency financing service to exporters. It is only just getting off the ground, but it can provide an exporter who factors his invoices with International with access to low cost funds without exchange risk.

Overall, there is a case for factoring to improve cash flow for the smaller expanding company. Most of the factors are flexible in their approach but it is worth shopping around and both "with recourse" and "without" should be considered as viable options.

**Terry Garrett**

# Public illusions about energy

BY RAY DAFTER, ENERGY EDITOR

THE GENERAL public, presumably bemused by conflicting energy statistics, warnings and exhortations, is formulating a remarkable view of fuel supplies in 20 years' time.

*It reckons* that the nuclear industry is about to meet the majority of our energy needs. But it won't.

It would like to see the biggest share of energy supplies coming from solar power. But it can't.

The changes are considered necessary because it is thought that within the next two decades oil supplies — now recognised as the most dominant energy sources — will have virtually dried up. Wrong again.

This conundrum has emerged from an oil industry survey of the public's perception of energy supplies, carried out in the UK, Germany, France, Holland, Denmark and Switzerland. Three times in the past year or so the public has been questioned. And each it has consistently come up with the incorrect energy view.

It would be wrong to draw *too many* hard and *fast* conclusions from what are necessarily cursory barometer readings of public opinion. Even so, *with energy now such a political* topic—and politicians so anxious to heed public opinion—the industry must be concerned. Certainly the Royal Dutch/Shell Group is. Shell commissioned the Paris-based research group, Institut Francais de Demoscopie, to conduct the survey.

In particular, Shell is worried about the public's perception of the future for oil. The survey shows that 69 per cent of Europeans recognise—correctly—*that oil is today's most* important energy source. The public also has a reasonably accurate idea of the importance of the two other main fuels—natural gas and coal.

However, when looking ahead to the year 2000 the public dismisses oil as being a major energy provider; less than 10 per cent of the people interviewed regarded oil as relevant to the future energy scene. In this respect the views of the British public appear to be little different from those of other Europeans— in spite of North Sea oil. It seems that the British have picked up the warning signals of their Government and energy industry—"the North Sea can provide only temporary relief" and "oil self sufficiency will last for only a few years" — and ignored the more positive signs.

In March British Petroleum *pointed out that* so far 15bn barrels of recoverable oil had been discovered in the UK sector of the North Sea of which *about 770m barrels had already* been produced. The Energy

### Oil companies must accept some of the blame

Department puts ultimate *recoverable reserves to be in the* region of 17bn-32bn barrels.

On this basis Britain has used only between 2.4 and 4.5 per cent of its recoverable reserves. It thus seems a little early to be writing off the North Sea. After all, UK oil production has still to rise to the self-sufficiency level of 1.8m barrels a day—a level which, according to Shell UK and the UK Offshore Operators' Association, could be maintained to the turn of the century given certain *Government policies.* Even if Britain is forced to rely on net imports again, it is projected by the Energy Department that oil *will still be the biggest single* energy provider in 20 years' time.

The same is true for member countries of the European Economic Community and the International Energy Agency. Ministers from each body have taken steps to lessen consumers' dependence on oil but all have recognised the limited possibilities for an early switch to other fuels.

The ministers in both bodies (and, of course, there is some *overlapping here) have* committed themselves to reducing oil consumption to a level equal to, or lower than 40 per cent *of gross primary* energy consumption by the end of the decade. At present, in IEA countries, the share is around *52 per cent.*

But even then, in the year 2000, the non-communist world could be consuming as much oil each day (around 50m barrels) as it is at present. It will still be the most important single energy source. Furthermore, *given that the world has used* at the most only a quarter of its recoverable oil resources, there should be plenty more *available to meet those demands* for which oil is most suited—transport and chemical feedstock—well into the next century and perhaps *beyond.*

So why is this not recognised by the man in the street? Shell officials believe that the oil companies must accept some of the blame. They feel that by emphasising the supply problems, by encouraging conservation measures and by playing up their diversification into other energy forms, they have given a false impression about the future importance of oil.

There are a number of *reasons why companies should* want to put the record straight. Clearly their own image, their financial standing, could be impaired if investors felt that they had based their business on a resource that was about to vanish.

Companies are also worried that public attitudes and perceptions could influence political aspirations *and result in the* quest for unrealistic future energy balances. For another blind spot in the public's view is the length of time needed to plan, build and commission major energy projects that will take the strain off oil supplies.

The lead time for the development of a coal mine can be a decade. It can take 11, 12 or even *13 years to obtain approval* for and to build a large nuclear power station in some parts of the world; while in others—such as Japan—it takes only half that time. The U.S., which single handedly could significantly alter the world's energy demand balance, has some of the longest lead times for coal and nuclear projects.

*And yet about 72 per cent of* the thousands interviewed in the Shell-commissioned survey believe that within the space of *two decades nuclear power will* become the chief source of energy. Obviously the message—a wholly justifiable one—that the world cannot afford to do without nuclear energy, has made a mark. Unfortunately, the man in the street has been led to expect that the nuclear contribution will be much greater than it could be.

*At present,* nuclear power meets only 3 per cent of the non-communist world's energy needs. It is used only for electricity generation. Given the plans now in hand, that share must grow. The EEC, for example, expects to be generating around one-third of its electricity supply by 1990. In France more than two-thirds of electricity generation in 10 years' time could be based on nuclear fission.

Given such a growth rate, nuclear energy could be meeting 10 per cent of non-Communist world energy requirements *within* 20 years. But, as Shell points out, that would entail the construction of over 500 nuclear power stations at a cost of more than $600bn (in 1980 dollars). To replace oil as the major energy supplier would require a nuclear programme three or four times as large — clearly out of the question.

*And yet if the public is living* in "Cloud Cuckoo Land" in expecting nuclear power to fulfil this need, then it is hopelessly *wishing that the alternative* energy sources — in the main solar and water power — could meet the bulk of demand.

Ecologists and environmentalists — among them the Friends of the Earth—must be having an appreciable impact on public perception of energy, because around 55 per cent of men-in-the-street questioned said they wanted to see solar power exploited to the extent that it would *supply* the biggest proportion of their energy requirements. Ideally, it would seem, they would like to see solar power and hydro-electricity meeting over half of the needs.

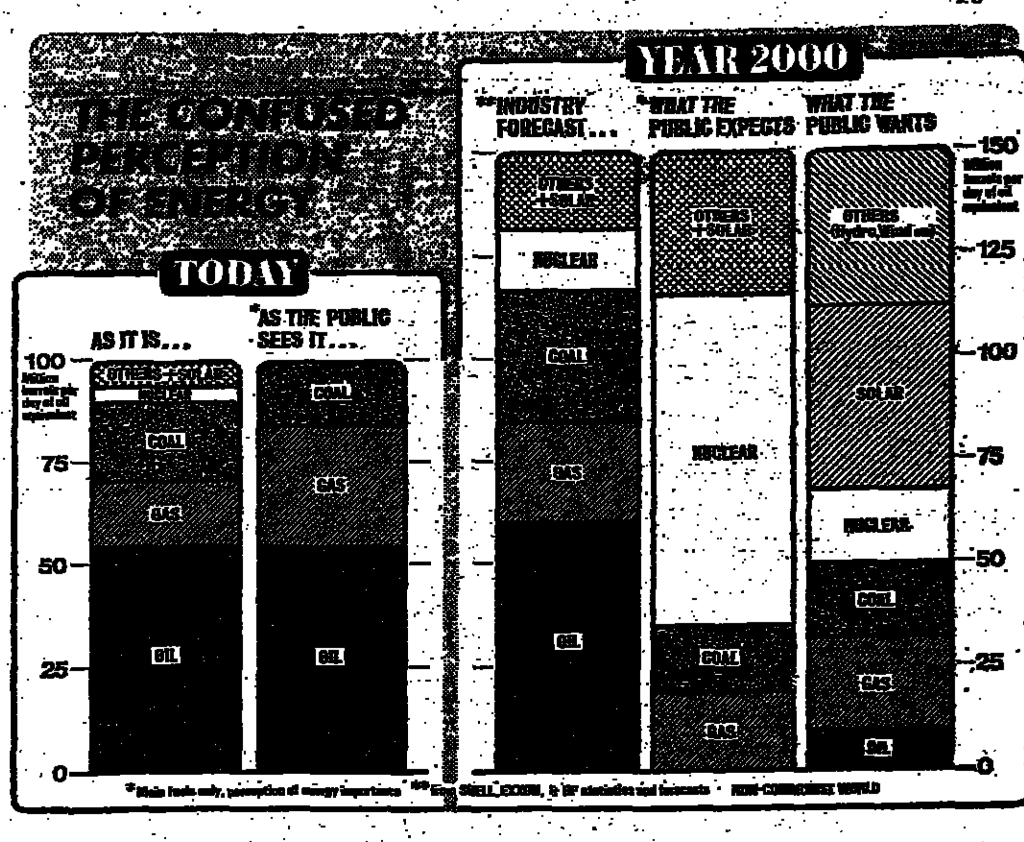
This expectation must be viewed in the harsh light of reality. The energy industry for whatever reason, good or bad, has started too late in the day to make these alternative energy sources significant contributors within the timescale of two decades. Exxon believes

### Can you believe what the oil companies tell you?

*that by the turn of the century* they could account for 9 per cent of non-communist world energy supply.

Shell is somewhat more optimistic. It expects the contribution to grow from 7 per cent at present to nearer 13 per cent. And that expansion programme, according to Shell, could cost $500bn to $700bn. So *much for sun* and water power being "free." The era of cheap energy is over.

But all these projections, most of them emanating from




the research departments of big oil companies, raise another question; one that the oil groups themselves find somewhat embarrassing. Can you believe what the companies tell you? The answer, from the general public's point of view, is "no."

It is not that companies are seen to be *telling lies—well,* not often anyway—it is that they are regarded as secretive and selective in the facts they make available.

Nowhere is the oil industry's credibility lower than in the U.S. There, *according to a recent* survey, almost three-quarters of the population believes that oil companies are mainly to blame for the current energy problems.

The same does not appear to be true in *Western Europe.* Although survey methodologies differ, Shell's barometer readings indicate that 20 per cent of Europeans blame companies for the energy mess while 33 per cent point the finger at the Organisation of Petroleum Exporting Countries.

And yet even in Europe the oil companies have cause to be *concerned about their image.* It appears to be deteriorating. Not only are more people holding them responsible for energy supply problems (the percentage has been rising with each survey), but there seems to be quite strong support for more government controls.

The statistics for the UK are particularly revealing. Of those questioned who had a positive view (that is they were not neutral or did not refuse to answer) the vast majority felt that government controls over large non-oil companies should be reduced. This may be a reflection of the public mood that helped to send Mrs. Margaret Thatcher to 10, Downing Street. In contrast 51 per cent of all those asked in the UK wanted more government controls of the oil companies—as against 10 per cent who wanted less and 39 per cent who felt that the present controls were adequate.

The *inference to be drawn* from these statistics—accepting that generalities can be dangerous—is that North Sea oil is regarded as too important to the economic, political and social fabric of the country to be left solely in the hands of the oil companies.

It is a message that has been taken on board with some concern by Shell, particularly at this time, only days after the Labour Party has adopted its "Peace, Jobs and Freedom" policy statement which includes nationalisation of North Sea oil.

Companies are uncomfortably aware that in the *hands* of a skilful politician, public attitudes, damaged reputations and misjudged estimates can be mixed into a potent brew.

# Letters to the Editor

## Made in Britain

*From the President, Federation of British Cutlery Manufacturers*

Sir,—Your excellent cutlery article (May 24) sets out accurately and fairly, the state *of the industry,* and *the problems* facing it. However, your readers could be forgiven for jumping to some wrong conclusions. Three in fact.

First, the legislation on honest marking recently announced by Mrs. Sally Oppenheim, is strictly a consumer protection measure. In carefully conducted polls, her Ministry *has* found that a *sizeable* majority of consumers really want to know where their cutlery is made. And can you blame them? Cutlery is a lifetimeconsidered purchase. Being mislead for two or three years when you buy a shirt is one thing, but being hoodwinked into buying hybrid cutlery manly made in the Far East, and being passed off as "Sheffield" is another.

The consumer at last will know what he/she is buying. The retail trade will also benefit a they cannot be expected to be expert in all things they sell. *One prosecution has begun* against a store contravening the Trades Description Act for selling branded Korean cutlery without country of origin marking. Retailers need protection against importers and manufacturers who pretend their products are British.

Second, cutlery makers are not as divided in the matter of *importing as the headline suggested.* Only a few "cutlers" have taken the soft option alternative to manufacturing. The vast majority of the in*dustry deplore this substitution* of Far Eastern labour for British.

Finally, it is unfair to be accused of low productivity. Surprisingly, considering the onslaught of Korean and other low-wage cutlery, the industry remains efficient. In the same mould as German and Japanese cutlery industries, Sheffield is *made up of tightly run specialist* manufacturers who concentrate on single aspects of what is a large overall product range. Critics of the industry describe this as fragmentation, and so it seems from the outside. From the *standpoint* of 30 years' experience of viewing every cutlery industry in the world, it just isn't so. Of course, if Far Eastern cutlery had been kept out of Britain, as the French and Italians have done, so increased mechanisation and some automation could have come, as it has here. This is only possible where volume opportunity *exists.*

Of course we have low productivity compared to countries like South Korea, who alone have about half the UK stainless steel market. There they work twice as long, twice as hard and twice the pace for a quarter of our wages. But their machines are unguarded and their workers have no trade *unions.*

If the UK cutlery industry is at fault, it is because up to three years ago, it had one trade association whose members were a mixture of importers and manufacturers. You cannot serve two masters, and perhaps this is where many trade bodies and associations go wrong. Like the impotent *octogenarian who claims to be* celebate, they claim to be serious and responsible. But can they do anything?

Fortunately for the industry, *the Federation of British* Cutlery Manufacturers is now in being. Some say a little late, but it is never too late to strive for fair play for an industry.

John Price.
Arthur Price of England,
*Anthony Road,*
*Saltley, Birmingham.*

## Olympics boycott

*From Mr. R. G. T. Hulbert*

Sir,—Surely the most effective protest would have been for all "*boycotting*" *nations to compete* under the same flag, preferably a small nation like say Andorra. This would achieve all objectives.

1. The Russians would fail to get the most medals.

2. The political point would be made and maybe lead to the removal of politics from future games.

3. *The athletes* would not have to make any self-sacrifice.

R. G. T. Hulbert
*52 Luttrell Avenue, SW15*

## Air traffic control

*From the President and General Secretary, The European Public Service Union, Eurocontrol Branch*

Sir,—The comparison of European fares with those in the United States, and the explanations for the discrepancies given by Michael Donne in your issue of May 27, can only be of concern to all those who, for business or for pleasure, have *occasion to travel by air in* Europe. We feel it useful therefore to enlarge on two particular aspects of this article.

It is stated that "in the U.S. enroute navigation facilities are Federally funded and not charged to airlines, whereas in Europe they are a heavy impost, passed on to the passengers."

First of all this statement needs qualification for, *although* in the U.S. route charges are not levied for each flight as in Europe, the U.S. Federal *Government* imposes a system of taxes on airline tickets, cargo way-bills and fuel to pay for enroute air navigation facilities.

Now the cost of the provision of air traffic services within Europe can, in some cases, account for as much as 5 per cent of the price of an airline ticket and therefore a comparison of these costs with those in the United States is relevant. A recent study has shown that, for 1976, the latest year for which figures are available for both the U.S. and Europe, the cost per flight of air traffic services was $112.5 in Europe whereas in the U.S. the equivalent cost was only $43.6. Because of greater average distance flown per flight in the U.S., the ratio of cost per flight per unit distance would be even *more* significant. One of the major factors accounting for this difference must be that, while in the U.S. *air traffic services* are provided by a single Federal Agency, in Europe they are generally provided by a multi*tude of national administrations.* To illustrate this point it is sufficient to note that in the continental U.S. these services are provided by *20 identical* enroute air traffic control centres whereas in Europe there are already 16 dissimilar centres providing services for seven sovereign States covering an area equivalent to one quarter *of that of the U.S. This situation exists despite the fact that these* seven States (Belgium, the Federal Republic of Germany, France, Ireland, Luxembourg, the Netherlands and the United Kingdom) are partners in Eurocontrol, the European Organisation for the Safety of Air Navigation. This Organisation came into being in 1963 upon the ratification by all national Parliaments of an international Convention under which the contracting parties "agreed to strengthen their co-operation in the field of air navigation."

The Eurocontrol Agency has planned and implemented two of the most advanced air traffic control centres in the world, at Maastricht in the Netherlands and Karlsruhe in the FRG, these being responsible for control of the upper airspace of Belgium, *Luxembourg* and the FRG. But elsewhere independent and unco-ordinated development of national centres has continued in contravention of the Eurocontrol Convention.

The same cost comparison study referred to above has shown that, in 1978, the provision of air traffic control services by the Eurocontrol centres amounted to $32.1 per 100 km of flight, whereas the equivalent figure for national facilities was $44.0 and *for the* United Kingdom $47.8.

Michael Donne makes reference to the memorandum of the EEC concerned with the formulation of a common air transport policy in the Community *countries. Such a policy will* bring air transport to regions not yet adequately served and will open up air travel to markets not yet *fully* exploited. We must therefore ask ourselves whether the air traffic control and management services in Europe will be able to cope with the resultant increase in traffic density on our already congested airways while *still* maintaining or even improving the present high safety standards. We doubt it and we fear the *chaos which may result if* the right measures are not taken now.

The opportunity now exists, for the Eurocontrol member States are drafting amendments to the existing Convention (admitted by all as not entirely adequate) which will be put before national Parliaments for ratification. Unfortunately the *tendency in these discussions is* to reduce the influence of the Eurocontrol Agency thus facilitating the independent development of national control systems and placing beyond the horizon the possibility of a homogeneous, economic and efficient European air traffic control and management system.

The Director General of IATA has stated at a public hearing of the Transport Commission of the European Parliament that "One common ATC organisation for Western Europe can be considered as the ideal solution. It would be both more efficient *and less costly than the present* separate national bodies. Eurocontrol would appear to have the professional capability to *provide centralised services but* to be effective it would need firm political agreement to give it the authority that it lacks at *present. . . ."*

Firm political guidance and a will to co-operate must now replace national pride and jealousies. The United Kingdom, at a moment when her image in the European Community is *extremely low, should grasp this* opportunity to play a leading role in European co-operation in an area where no one denies its need.

Iréne Gubin,
General Secretary,
R. C. G. Jenyns,
President.
*9, Rond Point Schuman,*
*1040 Bruxelles.*

## Power and responsibility

*From Mr. D. G. Franklin*

Sir,—Samuel Brittan is right to head his article "A time to talk to the TUC" (May 20), but it takes two to make a con*versation. Although* there are welcome signs by some trade union leaders "to row together," other member of the general council still insist that the Government must make a U-turn in its economic policies in order to return to the lost paradise of March 1979.

During the last 16 years we have experienced 12 years of "*government by TUC licence,*" as Mr. Brittan puts it so aptly. The economic policies of this period produced the highest rate of inflation, the highest number of unemployed and one of the lowest standards of living for trade union members in the western world. If this is "protecting and looking after the interests of their members" *as the national officer* of ASTMS put it in your columns recently, it is high time that some members of the general council did a U-turn and followed the example of West German trade unionists who have achieved one of the lowest rates of inflation, the lowest number of unemployed and one of the highest standards of living in the western world.

It is encouraging to see that the GMWU is sending its officers to West Germany to study German workers' productivity, attitudes and involvement in work. They will find *that this is achieved* because their industrial relations structure is based on fundamental logical laws set up after the *last* war by our own TUC General Secretary.

Agreements entered into freely by both parties are enforceable in civil law and the recent Luton Airport go-slow contrasts with a decision in a West German court which awarded damages against the Union of Flight Controllers in 1978 amounting to £53,000 for losses sustained as a consequence of their "go-slow."

In March 1980 IG Druck, the German print union was fined £14,500 for its part in the disruption of the printing of The Times in West Germany.

Another structural change was the establishment of a "one trade—one union" system. The current inter-union battles at the Isle of Grain make this point all the more topical.

The closed shop is illegal and against the constitution. This would violate one of the fundamental human rights of association or disassociation.

This framework has produced an industrial relations foundation for a sound and successful manufacturing industry. This in turn provides high living standards for employers and employees. If we could all explore the common ground of prosperity, we could again make Sir Winston Churchill's words ring out again: "There still remain forces in our island that can bring back all our glories."

D. G. Franklin.
*121 Kennington Road, SE11.*

## Oil-based technoilogy

*From the Managing Director, Cambridge Econometrics.*

*Sir, — Sue Cameron's major* article on May 29 concerning Dow's plans for an ethylene cracker at Nigg Bay can usefully be cross-linked to your reporting of record exchange rates throughout last week.

Since 1973 it has been conventional wisdom in the chemicals industry that "building block' 'petrochemicals will increasingly be made by oil-rich countries in the Middle East and elsewhere, while developed countries concentrate on higher *technology products with sophis*ticated properties. Failing to take proper account of the impact of sterling as a petro*currency, many of us placed the* UK in the second category. Closer analysis suggests that in the 1980s it will fall more *readily into the first, not only* because of the physical supply factors Sue Cameron lists but because of prices, profitability and *demand.*

More than for any other other industry the export prices charged by UK chemicals producers *must* match world market levels in dollar or deutschmark terms. Thus a rising pound tends to squeeze chemicals profits, rather *than sales. If* the costs of a chemical are also set in international market, then the squeeze may not be too severe. This is the case for petrochemicals, some general inorganics, and soaps and detergents. It is much less the case for pharmaceuticals, toiletries, dyestuffs, paints, and specialities, where internationalily traded *oil or minerals* are a much smaller element in cost.

Until the pound falls substan*tially in real terms it will* not be profitable to export derivative chemicals from the UK, multinational companies will prefer to make elsewhere, and it will be very profitable to import chemicals. Although after the recession the UK demand for chemicals should grow substantially, importers have distribution networks which improve cumulatively, and buyers will continue to seek second sources. Only rarely are home producers likely to find their sales to the home market much higher in 1990 than they are today.

Chemicals output is likely to rise, however, because of an increase in exports. Chemicals have always made a substantial positive contribution to the balance of payments, *£1.3bn* last year despite the high exchange rate. When oil production growth slows, few other industries will be ready to fill the gap in the balance of trade, and of the chemicals that can do so the "building blocks" are the most readily traded.

Your column does not allow space to quantify the links, some of them speculative, in this long chain of argument, but it can be made to add up. There is at least a possibility that the UK *chemicals industry of* 1990 may be more like our visions of Saudi Arabia's, and rather less like Switzerland's.

Harvey Gibson.
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*21, St. Andrew's Street,*
*Cambridge.*

# Today's Events

**GENERAL**

UK: Prince Charles visits the Home Office.

Warwick University conf*erence on West Midlands economy* in the 1980s.

Federation of Personnel Services seminar on temporary work *in Europe, London.*

Giles Cooper Awards lunch for best radio plays of 1979, London.

Service of thanksgiving for Sir John Methven, CBI director general, Westminster Abbey, noon.

Overseas: OECD Ministerial conference, Paris.

**PARLIAMENTARY BUSINESS**

House of Commons: Finance Bill, committee stage. Orders on Iranian trade sanctions.

House of Lords: Debate on the urgent need for industry to improve productivity. Street Offences (Amendment) Bill, second reading. Licensed Premises (Exclusion of Certain Persons) Bill, committee stage. Debate on difficulties facing *young people training for a* career in the arts.

Select Committees: Education, Science and Arts, Room 6, 10.30 am. Foreign Affairs, Room 15, 10.30 am. Energy, Room 8, 10.45 am. Industry and Trade, Room 16, 10.45 am. Public Accounts, Room 16, 4 pm.

**COMPANY MEETINGS**

Berwick Timpo, 79 Wells Street, W, 12. Ellis and Goldstein, Barrington House, Wood *Street, W, 12. Guardian Royal* Exchange, 20 Aldermanbury, EC, 12. Gill and Duffus, 14 St. Mary Axe, EC, 12. T. C. Harrison, 53 *London* Road, Sheffield, 2. Lowland Drapery, 60 Wilson Street, Glasgow, 12.15. Modern Engineers of Bristol, Dixon Road, Brislington, Bristol, 12. Pearl Assurance, High Holborn, WC, 12. Revertex Chemicals, West Road, Temple Fields, Harlow, Essex, 12. Rowntree Mackintosh, Rowntrees Theatre, Haxby Road, York, 3. United Carriers, Overstone Solarium, Ecton Lane, Sywell, Northants., 12.

# Good final quarter lifts Reed to almost £100m

FINAL quarter pre-tax profits of Reed International showed an improvement from £15.1m to £19.9m to give a total of £99.9m for the year ended March 31, 1980, compared with £83.4m in the previous year.

Sales amounted to £1.52bn against £1.61bn despite an improvement from £382m to £402.6m in the fourth quarter. The year-end sales downturn reflects a much reduced contribution from overseas of £395.5m against £642.4m.

The directors say demand for the group's products and services was strong for most of the year but pressure on margins was severe. Results in Europe and North America were particularly encouraging and more than compensated for the loss of trading profit following divestments overseas in the last two years.

Taking account of the progress made with the group's restructuring and the improvements in earnings per share—up from 38p to 66.7p before extraordinary items—the board is recommending a final dividend of 9p per share lifting the year's total from 8p to 13p.

The group is now based on three main product areas—paper and packaging; publishing and printing and building and home improvements.

Following the sale in November 1979 of the pulp and paper operation at Dryden, Ontario, for £36m, the principal business of Reed Paper in Canada is now the newsprint mill in Quebec. All manufacturing subsidiaries in Australia and South Africa have been sold and the only continuing direct involvement in these countries is in publishing.

Net debt fell from £226m to £115m reducing the debt/equity ratio from 80 per cent to 34 per cent. Cash from the divestment programme has been used both to reduce long-term debt and to maintain a strong cash holding for maximum flexibility.

The related fall in interest charges from £29m to £11m contributed significantly to the improvement in pre-tax profit for the year. Exchange losses for the year were £2m (£10m).

Capital expenditure increased from £48m to £55m. Publishing, packaging, building products and paint all performed well. UK paper-making margins were seriously restricted by the continued escalation of energy costs and sterling.

Wallcoverings continued to suffer from excess world capacity and the UK business is undergoing a major restructuring programme.

The results of overseas subsidiaries have, for the first time, been consolidated to a common year-end date with that of the parent company and UK subsidiaries.

The results for the year to March 31, 1980, are for 52 weeks for the UK and overseas, while comparative figures to March 31, 1979, include overseas results for the year ended December 31, 1978.

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# Dome Petroleum London listing

Trading in the 50.3m shares of one of Canada's most active oil and gas exploration company, Dome Petroleum, is to begin today on the London Stock Exchange.

Dome is a major producer of oil and natural gas. It also operates natural gas liquids (ngl) extraction plants and a pipeline for transporting ngl and ethylene from Alberta to Ontario and the U.S. midwest. Its exploration activities are concentrated in the western Canadian provinces and the Beaufort Sea.

The company has a 47 per cent interest in TransCanada PipeLines, which operates Canada's principal natural gas transmission system, and a 30 per cent interest in Sovereign Oil and Gas, formerly Siebens oil and Gas (UK).

The controlling 26 per cent interest in Dome is held by Dome Mines and Dome in turn holds a controlling 40 per cent interest in Dome Mines.

Dome earned pre-tax profit of C$235.5m in 1979 on revenues of $945.5m. It pays no taxes because of federal concessions well in excess of 100 per cent on its exploration spending in the Beaufort Sea. Cash flow in 1979 was $323.4m. Borrowings at the end of 1979 were nearly $1.4bn.

The company hopes to prove the commercial value of its Kopanoar field in the Beaufort Sea this autumn and would then have to spend an estimated $6bn to bring it into production by the end of 1985.

So far in 1980, the shares have traded between $53¾ and $82

## Kennedy Brookes placing

A placing of 122,333 new 10p shares of specialty restaurant chain, Kennedy Brookes, has been made at 60p a share and trading began yesterday under Stock Exchange rule 163 (2).

Kennedy Brookes owns 12 restaurants, including wine bars, pizza houses, American hamburger restaurants and Tango's in Covent Garden, specialising in South American food.

The company made a pre-tax profit of £68,792 in the year ended October 31, 1979, on turnover of £741,733 from operating six restaurants. The 1978 figures are £53,356 and £553,314 respectively.

Mr. Michael Golder, managing director, and Mr. Roy Ackerman, another director, hold 82 per cent of the 959,833 shares issued.

Mr. Golder said the current poor trading climate is likely to continue for at least a year but the company wants to take advantage of opportunities to buy additional restaurants.

No significant improvement is expected in the current year although a profit forecast has not been provided — there are no figures for the six months to April 30, 1980.

Mr. Golder said it is uncertain how much of the company's spending will be capitalised. In dealings the shares rose to 74p.

## Yearlings rise by ⅛%

The interest rate on this week's issue of local authority yearling bonds is 15¼ per cent, up ⅛ from last week. Issued at par, they are redeemable on June 10, 1981.

The issues are: Ashford BC (£0.5m); London Borough of Enfield (£1m); Restormel BC (£0.25m); Trafford BC (£0.5m); Dudley Metropolitan BC (£0.5m); Sedgemoor DC (£0.5m); Salisbury DC (£0.5m); Newcastle upon Tyne Metropolitan DC (£1m); City of Bradford Metropolitan DC (£0.75m); City of Manchester Metropolitan DC (£1.25m); Angus DC (£0.5m); Darlington BC (£0.5m); Grampian RC (£1m); London Borough of Barnet (£1m); Cleethorpes BC (£0.5m); Hartlepool BC (£0.5m); South Bedfordshire DC (£0.25m).

## HIGHLIGHTS

After a brief look at the setback to sterling yesterday Lex discusses the four main company news stories of the day. Reed International faced weaker trading conditions but it had closed its 1979-80 year with a strengthened balance sheet. Harrison and Crosfield has shown reasonable growth and sees a satisfactory outcome for 1980. De La Rue has reported a sharp increase in pre-tax profits and is making encouraging noises for the current year. Finally Lex examines the report and accounts from Vickers where the company is hoping for nationalisation money in the not too distant future. On the inside pages there is a London listing for Dome and a 163 operation for Kennedy Brooks. Companies which come in for comment include Thomas Ward, profits up from £6.2m to £7.3m, and MEPC reports half time figures.

# Vickers counts the cost of delay in compensation

Vickers "hopes and expects" that compensation for its nationalised aerospace and shipbuilding assets will be settled before too long, Sir Peter Matthews, the chairman, said in London yesterday.

Introducing the annual report, Sir Peter said that he expected an offer would be made to cover the aerospace assets in the very near future. Negotiations over the shipbuilding business have been referred to arbitration. Although no date has been set for a hearing, Vickers officials are hopeful of a decision on their case by the mid-autumn.

In his annual statement, Sir Peter describes the damaging effects of the long wait for compensation. These arise from the prolonged period of uncertainty, the continuing devaluation of any final settlement, and the need to borrow money at higher interest rates than those which will be attached to a settlement.

"Job opportunities have both diminished and put at risk. It has absorbed an immense amount of time and energy among our senior executives and professional advisers."

Discussing the planned sale of the international machines division to CIT-Alcatel, Sir Peter said he was confident the deal would be completed before very long. The transaction had been set up as a sale of assets rather than of an individual company.

Sir Peter, who is non-executive chairman, said that he was taking more of an executive interest in the group's affairs following the recent resignation, "for personal reasons," of Dr. Bernard Willetts, chief executive and managing director. Mr. Jim Hendin, the deputy chairman, was acting as chief executive, and no new Board appointments were being planned.

The current financial year had got off to a good start, Sir Peter added, and the group's results had been above budget in the first quarter. The outlook appeared satisfactory for a little while into the future, and reasonable settlements for wages had been reached in a great many of the engineering subsidiaries.

However, Sir Peter emphasises in his statement that "the present economic climate of high inflation, exorbitant interest rates and a relatively strong currency, brings particular pressure on the engineering and manufacturing sectors.

Vickers Fluid Power, which makes a range of hydraulic components and systems for industrial applications, has been reorganised completely with the aim of returning to profit in the second half of this year. Sir Peter made it clear yesterday that the division is being given a year to prove that it can be profitable.

The future of Roneo Vickers Partitions will be decided in a couple of months' time. This business, which has annual sales of just £3m, made substantial losses in 1979. Mr. Hendin said yesterday that a tourniquet had now been applied to stop the bleeding. However, he emphasised that the main Roneo businesses, with sales of around £70m a year, had been performing well and would be retained.

The accounts show that the Howson-Algraphy Group has maintained its sales by increasing market share in the face of reduced overall demand, and has held its profits despite adverse currency movements. Some £20m will be spent over the next three years on a new factory at Leeds.

Outstanding orders at the year-end were up from £201m to £238m, largely thanks to a ship-building contract in Australia.

The accounts show that shareholders' funds rose fractionally over the year to £161m, with the impact of a £7.8m property surplus being largely offset by differences on exchange and acquisitions. Loan capital was a little higher at £59.7m, and net short-term borrowings rose from £27.8m to £35.9m. There are no figures on current cost accounting.

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# Harrisons and Crosfield profits advance by £6m

ANNOUNCING a £6m increase in 1979 taxable surplus to £58.38m, on turnover of £639m, against £546m, the directors of Harrisons and Crosfield say 1980 is expected to be another satisfactory year. First-half profits had risen from £22.64m to £26.85m.

Full-year operating profits advanced from £47.9m to £55.3m, a divisional breakdown of which shows (in £000s):—plantations £29,532 and £27,717; chemicals and industrial £8,607 (£8,598); timber and building supplies £11,092 (£8,581) and general trading £6,069 (£5,007).

The directors report that on the plantations side, higher rubber and palm oil prices were partly offset by lower cocoa prices, but further sizeable increases in yields per acre and also in cash returns appear capable of achievement.

All this provides attractive scope for improved future earnings, albeit at a pace consistent with good agricultural husbandry, they add.

In the chemicals and industrial division, the expansion in America together with that well under way at British Chrome and Chemicals, provides exciting prospects for growth, the directors state. Durham Chemical Group's planned production for anhydrous aluminium chloride at Birtley widens its product range and Canadian profits continue at record levels.

All the group's timber and building supplies operations improved on the previous year. Increased merchanting of sheet materials and building supplies provides an important and valuable spread of activity in this division.

The group's two major Malaysian companies surpassed by a wide margin the 1978 results. Good profits were also earned by the Australian and New Zealand businesses, while important contributions were also made by commodities, insurance and most general trading activities.

On prospects, the chemicals division opened the year at an acceptable profit level, although the weakness of UK demand and the continuing problem of low returns from exports are a concern for the remainder of the year. The plantations, timber and building supplies division and the major general trading operations have made a good start in 1980. Profits from these activities in the first quarter show a useful increase.

Associates contributions were up from £5.4m to £7.67m in 1979. Investment income slipped to £0.9m (£1.03m), and interest charges rose sharply from £1.95m to £5.49m.

Tax took £26.53m (£23.89m) and earnings per £1 share improved by 5.4p to 58.2p. The net dividend total is stepped up to 28p (24.03p) per share, with a final of 20.5p.

| | 1979 £000 | 1978 £000 |
|---|---|---|
| Turnover | 639,000 | 546,000 |
| Operating profit | 55,300 | 47,903 |
| Associates' share | 7,665 | 5,398 |
| Investment income | 896 | 1,029 |
| Interest payable | 5,486 | 1,951 |
| Profit before tax | 58,375 | 52,379 |
| Taxation | 26,529 | 23,888 |
| Net profit | 31,846 | 28 491 |
| To minorities | 3,781 | 4,804 |
| Preference dividends | 120 | 120 |
| Exchange debits | 2,976 | 483 |
| Extraordinary credits | 745 | 155 |
| Attributable to ord. | 25,714 | 23,239 |
| Ordinary dividends | 14,004 | 10,878 |
| Leaving | 11,710 | 12,361 |

At the year-end, group net current assets had risen from £64.09m to £77.21m. Shareholders' funds were ahead at £152.88m (£123.39m) and loans totalled £36.55m (£13.84m).

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## DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corresponding div. | Total for year | Total last year |
|---|---|---|---|---|---|
| Atkins Brothers | 2.9 | — | 2.73 | 4.65 | 4.1 |
| De La Rue | 13.2 | Aug. 2 | 7.47 | 19.8 | 15.58 |
| Harrisons & Crosfield | 20.5 | July 31 | 17.53 | 28 | 24.03 |
| Kinta Kellas Tin 2nd int. | 75‡ | July 2 | 125 | 125 | 175 |
| MEPC int. | 1.75 | July 24 | 1.5 | — | 5.0 |
| Parkland Textile | 2.1 | July 10 | 1.78 | 3.7 | 3.3* |
| Petaling Tin Bhd. int. | 60§ | June 28 | 50 | — | 150 |
| Scoteros | 3.12 | — | 2.72 | 5.08 | 3.66 |
| Sketchley | 5.2 | July 18 | 3.29 | 8 | 5.49 |
| Transparent Paper | 3.79 | — | 3.63 | 5.76 | 5.51 |
| Thos W. Ward int. | 2.41 | — | 2.09 | — | 6.21 |
| Reed Intnl. | 9 | Aug. 12 | 5 | 13 | 8 |

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ No further payments to be made for 1979-80. § Malaysian cents throughout.

# Thos. Ward sales and profit

For the first half year ended March 31, 1980, turnover of the Thos. W. Ward group rose from £132.23m to £154.77m and pre-tax profits were higher at £7.26m compared with £6.17m in the same period last year.

The directors say the group's iron and steel activities were severely affected by the steel strike but a more normal winter brought a recovery in construction activities. The engineering results were disappointing while motor distribution results were above expectations.

Tax takes £1.69m against £1.06m and is higher because of lower stock increases and capital expenditure. Stated earnings per 25p share are 9.9p compared with 9.8p and the interim dividend is lifted from 2.09375p to 2.40695p—the previous total was 6.20625p from pre-tax profits of £14.92m.

The directors say the immediate future for scrap is uncertain. The industry is having to adjust to a reduced requirement by British Steel Corporation and therefore a much higher rate of export of scrap.

The wholly-owned construction interests should show a seasonal improvement in the second half of this year and the prospects for the associated company are good.

A recovery is expected in the contribution from the engineering sector but motors may well find the going somewhat tougher in the next six months. Industrial services should be able to equal the first-half result.

The group balance sheet has been further strengthened in the period by conversion by holders of £4.96m convertible unsecured loan stock.

| | First half 1979-80 £000 | 1978-79 £000 |
|---|---|---|
| Turnover | 154,772 | 132,233 |
| Depreciation | 1,591 | 1,375 |
| Assoc. profits | 2,500 | 1,850 |
| Interest | 999 | 1,159 |
| Pre-tax profit | 7,258 | 6,167 |
| Tax | 1,690 | 1,056 |
| Extraord. credits | 460 | 33 |
| Attributable | 6,028 | 5,144 |

### ● comment

The make-up of T. W. Ward's interim earnings goes a long way to dispell market doubts that the group's building materials interests are being pulled down by engineering and scrap operations. The predominance of cement profits, coupled with some appreciation of the scope of management action taken over the past three years or so, now puts the shares, unchanged yesterday at 90p, into an interesting category. The consensus is that pre-tax profits will hit about £17m this year for a fully taxed and diluted p/e of 5.9 and, assuming that the rate of half-time increase is applied to the total dividend, a yield of 11.4 per cent. Growth, certainly, looks reasonably assured if only because the normal second half bias and the March cement price rise should be enough to bolster construction and motor distribution profits. Scrap, obviously, remains a serious problem, but Ward is hoping that the trough may have been plumbed in the first half and the engineering division can expect some improvement in a strike free period. That leaves the perennial question of the consolidation of Ward's cement interests, the recipient of heavy capital spending in the wake of price constraints but, for the moment, the group accepts the status quo.

# De La Rue expands by £10m and pays 19.8p

A SECOND half increase from £13.36m to £19.54m has lifted the taxable surplus of De La Rue Company, security printer, electronic equipment supplier, to a record £36.54m for the year ended March 31, 1980, against £26.6m, on turnover expanded by some £39m to £158.5m.

Sir Arthur Norman, chairman, says that under current trading conditions it must be expected that margins in the UK operations will come under pressure in 1980/81, but the group will benefit from the spread of its operations and associates overseas.

The directors are looking for further satisfactory progress, he adds, and the company is well placed to preserve both its financial strength and its position in the group's various markets.

Stated yearly earnings per 25p share are 60.3p compared with 51.3p, and the dividend is stepped up to 19.8p (15.575p) net with a final payment of 13.2p.

Turnover and trading profits, which amounted to £26.7m (£19.4m) after central management and service charges, were split as to: security printing, transport and ancillary services £120.4m (£91.5m) and £20.1m (£13.3m), and Crosfield Electronics £38.1m (£28.3m) and £6.6m (£6.1m).

Exports to third parties were over £90m, some 69 per cent of UK turnover, and the group has been affected by strong sterling and escalating UK domestic costs, more than most, the chairman says.

"It therefore has a greater incentive than most to solve the problems arising, and can report order books in a generally healthy state at the start of the ne wfinancial year," Sir Arthur states.

Total exports were £102.3m (£74.6m).

Profits for the year included interest receivable of £3.55m (£1.92m), and associates' profits of £6.16m (£5m), and were subject to tax of £12.96m against £6.55m.

After minorities of £625,000 (£500,000) and an extraordinary debit of £1.58m (£400,000), the attributable balance came out at £21.38m compared with £19.16m. Dividends absorb £9.15m (£4.34m) leaving the retained surplus at £12.23m (£14.82m).

Trading profit/sales margins rose from 18 per cent to 19.2 per cent.

The directors say that adverse movements in exchange rates have reduced profits by some £2m.

Nearly every one of the company's activities showed an improvement, and the year's advance is therefore very broadly based, Sir Arthur states.

The UK-based banknote and security printing business of Thomas De La Rue did well in difficult market conditions, and the overseas side produced excellent results.

Crosfield Electronics maintained its growth rate, as did Security Express, and De La Rue Systems—formerly De La Rue Crosfield — showed improved figures.

"Our activities are now much more widely spread. . . and this should have the effect of reducing our vulnerability to uncontrollable events in any particular market," the chairman says.

Capital investment was down slightly at £7.6m but a higher level of expenditure is expected in the current year, "probably in the order of £15m," Sir Arthur states.

Expenditure on research and development rose by £1.1m to £4.4m, and he says a considerable number of new products has been launched in the past 12 months.

Of the several investments the group made during the year the chairman says the most important included the establishment of a joint venture company in partnership with LogEtronics Inc. of the U.S., the acquisition of the U.S. distributorship of MAGNASCAN Colour Scanners, and the establishment of a joint venture in partnership with the Royal Mint for the sale of minting knowhow and equipment.

Agreement was reached for the group to acquire a third of the equity of a Swiss company which is to be set up by SICPA SA of Lausanne, to manufacture and supply specialised security inks to the group's banknote and security printing units.

Group balance sheet shows that bank loans and overdrafts, in the UK and overseas, decreased from £13.6m to £6.6m—bank balances totalled £40.4m (£35.3m).

Stocks at the year end were valued at £28m, an increase of 16 per cent. Reserves and undistributed profits showed a rise of £12.5m to £81.9m.

Shareholders funds stood at £107.36m (£94.81m) before goodwill of £4.8m (same).

On a CCA basis profits were reduced by £9.3m to £27.2m.

Lex, Back Page

# Parkland Textile downturn

A FURTHER FALL in the second half at Parkland Textile (Holdings), from £1.41m to £710,000 has left the taxable surplus of this worsted comber, spinner and manufacturer, well down at £1.36m for the year ended February 29, 1980, against £2.57m.

The dividend, however, is effectively increased to 3.7p (3.304p) net per 25p share with a final of 2.1p. Earnings per share are shown as 13p compared with 31p.

At the interim stage, profits had fallen to £650,000 (£1.16m) and the directors said that the installation of new plant in two manufacturing companies, which gave rise to higher depreciation charges, had disrupted production and would continue to do so in the second six months of the year.

Turnover improved to £35.46m (£31.8m) at the year-end, and profits were struck after depreciation and interest of £1.74m (£1.21m).

Tax for the period took £431,000 (£385,000) and after an extraordinary debit of £290,000 (nil) the attributable balance came out well down at £639,000, compared with £2.18m.

## • comment

Pre-tax margins are more than halved at Parkland Textiles, but at least the second half was no worse than the first, and the company says it is holding its ground so far in the current year. In common with the sector, the company has suffered from strong sterling exacerbating the problem of already-cheap imports. Exports, accounting for around a fifth of sales, have held up in volume terms but with profitability severely eroded. The company is reacting by placing more emphasis on the ladies' fashion market, where it feels import penetration may prove less damaging than in menswear. It has also been rationalising operations at the Smith Bulmer and Gledhill subsidiaries, which made a loss last year. The cost of redundancies and stock write-downs is reflected in the extraordinary item. The historic yield is a generous 17 per cent at 32p, on an historic fully-taxed p/e of 3.2.

## HAWLEY LEISURE

Of the 2.9m ordinary shares of Hawley Leisure offered by way a rights issue, 95.6 per cent have been taken up. The balance of 131,700 has been sold at a 1p per new share premium and the net proceeds will be distributed to entitled shareholders.

# Scotcros over £2m mark

SALES OF the food, packaging and transport concern, Scotcros increased from £29.43m to £35.53m for the year ended March 31, 1980 and reflecting greater operating efficiency, pre-tax profits were raised by 45 per cent from £1.46m to £2.12m. Every company in the group contributed to these improvements.

When announcing first half profits ahead at £0.95m (£0.53m), the directors said the second half result was expected to be comparable with that then reported. In the event, profits in the latter period were £1.16m (£0.93m).

A final dividend of 3.115p makes a net total of 5.075p, compared with a forecast of 4.62p with the June 1979 rights issue, and the previous year's 3.6573p.

Earnings per 25p share are shown as 23.6p (21.2p) on the actual tax charge, or as 18.8p (13.4p) on a notional tax charge, or 22.9p (17.5p) fully diluted.

Trading profits rose from £1.72m to £2.39m, before interest of £277,000 (£261,000) and were split between:—food £880,000 (£656,000), packaging £771,000 (£624,000), transport £179,000 (£67,000) and overseas £563,000 (£370,000).

Trading conditions throughout Western Europe became progressively more difficult during the year, and from February 1980 those group companies using steel and tin plate began to feel the effects of the national steel strike.

Although the dispute ended in March, adverse effects continue to be felt and the directors say it may be some months before normal trading conditions return in the companies concerned.

The group is continuing its policy of capital investment to achieve greater manufacturing efficiency and to widen existing product ranges. Further investment planned for 1980-81 is in excess of £2.5m.

Tax charge for the year rose from £178,000 to £441,000. There were extraordinary credits of £3,000 (£232,000 debits) and after minorities, goodwill and preference dividends, profits attributable to ordinary holders jumped almost £1m to £1.6m. Ordinary dividends absorb £355,000 (£192,000).

## • comment

Scotcros has surged ahead on all fronts, especially in finance, to achieve a 45 per cent increase in pre-tax profit. Animal feed has been selling well because of unfavourable weather in Scotland and the group's down market wines and spirits stand up well against the drop in disposable incomes. The tin packaging and tractor body manufacturing divisions have been hurt by the confusion caused by the steel strike but the French operation raised its profit contribution by more than half despite foreign exchange movements. The group's exports, mainly to France, also defied the exchange barrier, more than doubling to £1.4m. Confident of finding further sales opportunities in France and Germany, the company is spending £2.5m this year to improve the efficiency of its plants. The 5.8 per cent yield and fully taxed p/e of 10 at 125p seem to discount the likelihood that profit growth this year will be modest.

# Further volume growth forecast for Pentos

DESPITE THE harsh industrial and economic background, further volume growth is seen for Pentos, the industrial holding company. However, any profits advance will inevitably be affected by the very high current interest rates, and given the highly seasonal nature of group trading activities, interest costs will have a far more significant effect in the first six months, says Mr. T. A. Maher, the chairman.

"Our record in the 1970s, on most measures of performance, placed Pentos amongst the leading UK companies of the decade. We believe that our prospects for the 1980s, from a base which is now established and stable, are no less exciting," he tells members in his annual statement.

As reported March 12, higher interest charges and a very poor publishing result marred an otherwise strong performance in 1979 and pre-tax profits emerged only marginally higher at £4.08m (£4.01m).

In bookselling, Mr. Maher says Pentos is now clearly established as the largest retailer of serious books in the UK with 35 separate bookshops and with plans for further expansion and for margin improvement.

In publishing, the approach to 1980 is a cautious one with the emphasis on reducing investment in stock and reducing overheads, while retaining the strength to seize the opportunities which will arise in a weakened industry.

Further opportunities are seen for volume growth in gardening and in camping, but he says it is important that margins for greenhouses are re-established at a realistic level.

The group is optimistic about its medum-term prospects in engineering, particularly in overseas markets and in the UK gas industry; and believes there could be important acquisitional opportunities over the next 12 to 18 months.

In construction, the emphasis continues to be on expansion of accommodation hiring activities, where the group's increased geographic spread and the attraction of hiring in a depressed ecoonmy offer encouragement.

The group will be "making one or two moves towards the end of this year," he said. One potential acquisition is believed to be an engineering company in the aerospace field.

On current trading, the chairman said that "in the UK, things are not easy, but we're holding our own. Overseas, the going is more difficult." Overall, he said, there were within the group "a number of points for profits growth."

## Barrow seeks further acquisitions

Barrow Hepburn, the diversified leather and industrial group, is "looking carefully for further acquisitions in the UK," chairman Professor Roland Smith told the annual general meeting yesterday.

## Reasonable start for Advance

THE current year has started reasonably well for Advance Laundries, and forecasts for the whole of 1980 show a satisfactory improvement, Mr. P. N. M. Ruder, the chairman, says in his annual review.

He adds, however, that as with all industry, "it becomes increasingly difficult to keep ahead of the seemingly inexorable march of inflation."

As reported on May 22, taxable profits for 1979 were a record £4.48m (£3.66m) and the dividend is increased to 2.6p (2.068p) net per share.

A revaluation of freehold and long leasehold properties, as at June 30, 1979, revealed a surplus over book value of some £2.5m.

As at December 31, net current assets stood at £2.38m (£1.35m), and there was a £688,000 increase in net liquid funds, against a £536,000 decrease.

The group proposes to change its name to Advance Services to more accurately reflect the range of activities it provides. In addition to the laundry side of the business, it is expanding newer services which include, air freshening, soap dispensing, and air cleaning units.

Ultimate holding company is British Electric Traction.

## New unit linked life assurance service planned

Henderson Administration is linking up with Provincial Life Assurance Company, a member of the Provincial Insurance Group, to market unit-linked life assurance contracts.

Henderson's investment management services currently range across investment trusts, unit trusts, pension funds and charities.

It intends to start in this new field by offering a range of single premium life bonds, invested in five unit trusts managed by the group, plus four additional linked funded managed by Pronvincial—property, gilt, cash and managed. There will be full switching facilities between these funds.

These bonds will enable Henderson to tap the higher rate taxpayer for whom bonds offer better tax advantages than straight investment in unit trusts. But the intention is for Henderson next year to offer regular premium life contracts linked to its unit trusts and self-employed pensions invested in the group's exempt funds.

## Downturn at Atkins Brothers

A DOWNTURN in second-half taxable profits from £523,512 to £241,336 left Atkins Brothers (Hosiery) with a lower figure of £509,924 for the year ended March 31, 1980, compared with £708,835. Turnover, however, edged ahead from £11.15m to £11.66m.

The Board is hoping for some improvement in the current year, but is not under the present depressed circumstances, attempting to make a specific forecast.

A net final dividend of 2.9p raises the total payment from 4.102p to 4.65p per 25p share.

After tax of £253,904 (£350,912) net profits were down from £357,923 to £256,020.

## Kwik-Fit writes off £8m goodwill

Kwik-Fit (Tyres and Exhausts) Holdings has decided to write the substantial element of goodwill, mostly absorbed last year, out of its balance sheet.

The acquisition last June of the Corob Inter-City Properties cash shell brought in funds of £4.58m at a £487,000 premium over the assets acquired.

More importantly, Kwik-Fit paid £10.46m through the issue of 12m ordinary shares and £3.5m of short term variable rate loan stock for its major expansion effort last autumn, Euro Exhaust Centre Holdings, which was consolidated at almost £7m over net worth. Coupled with the opening balance, goodwill stands at £7.98m in the February 28 accounts.

### BIDS AND DEALS

# Drilling tools set to expand

Trading profits of Drilling Tools North Sea, for which industrial investment group ICFC has made an agreed £2.44m bid, fell from £353,000 to £308,000 in the financial year to March 31, according to figures in the formal offer document.

But Mr. Charles Noble, the director of stockbrokers Hedderwick Stirling Grumber who is chairman of Drilling Tools, said gross profits would have been a fifth figures are expressed before reasearch and development spending of £42,000 (£11,000). Higher rental charges recently introduced for a wide range of the company's equipment would aid prospects, he said.

For 1980-81 as a whole, Drilling Tools expects a significant advance in turnover and rental income. The first orders from a North Sea operator for a new safety coupling fo large diameter hoses have just been received.

ICFC is making its offer through its Plumcloud subsidiary and currently controls nearly 38 per cent of the equity.

### CARTEL BLOCK ON TAKEOVER

The West German cartel office has prohibited a takeover of the British company, Eurotech Mirrors International, of Bradford, Yorkshire, by Deutsche Uhrglasfabrik which is part of the West German Carl Zeiss Stiftung.

The cartel office says a merger of the two companies would lead to the "dominating position" of DUF being strengthened in sales of automobile rearview mirrors on the West German market.

Eurotech Mirrors is a subsidiary of the HAT Group.

### HONGKONG AND SHANGHAI

The offer on behalf of the Hongkong and Shanghai Banking Corporation to acquire all the shares in Antony Gibbs Holdings (other than those owned by HSBC) has become unconditional. Acceptances have been received in respect of 10,798,275 ordinary shares.

Prior to the offer HSBC owned 7.7m ordinary and has not acquired or agreed to acquire any shares during the offer period. HSBC owns or has acceptances for 94.3 per cent of the AGH equity.

Acceptances of the ordinary offer by AGH shareholders electing to receive the cash alternative have been received in respect of 4,429,551 shares and (save as stated in the May Offer Document) the cash alternative has now closed. The ordinary offer will remain open for acceptance until further notice.

The number of new HSBC shares to be issued for every 100 AGH ordinary shares as share consideration for the ordinary offer is 74.

Listing has been granted by the Council of The Stock Exchange for the new HSBC shares to be issued pursuant to the ordinary offer and it is expected that dealings will commence in the HSBC shares on June 30.

HSBC has received acceptances in respect of 237,500 AGH preference shares (95 per cent) and the preference offer has become unconditional and will remain open for acceptance until further notice.

### QUANTOCK IN TALKS

The Quantock Preserving Company of Bridgwater, has received an offer from the private company J. Gerber of London. Quantock became a subsidiary of Robertsons Foods in 1965.

Quantock has been working closely with Gerber for the past two years and it has an expansionist policy which would entail increasing the value of products coming out of Bridgwater, including the tinning of fruit juices.

### J. H. FENNER

In yesterday's item on J. H. Fenner and Co. buying Stone Hydraulic Industries of the U.S. the number of Fenner shares likely to be issued should have read 5,045,000, and not 5,945,000.

**SPAIN**

| June 3 | Price % | + or − |
|---|---|---|
| Banco Bilbao | 210 | |
| Banco Central | 238 | |
| Banco Exterior | 210 | |
| Banco Hispano | 209 | |
| Banco Ind. Cat. | 122 | |
| Banco Madrid | 141 | |
| Banco Santander | 257 | |
| Banco Urquijo | 150 | |
| Banco Vizcaya | 219 | |
| Banco Zaragoza | 200 | |
| Dragados | 82 | |
| Espanola Zinc | 61 | |
| Fecsa | 61.2 | |
| Gal. Preciados | 27.5 | +1.0 |
| Hidrola | 66.7 | +0.2 |
| Iberduero | 63.0 | +1.5 |
| Petroleos | 114 | |
| Petroliber | 61 | |
| Sogefisa | 107 | |
| Telefonica | 54.5 | +0.5 |
| Union Elect. | 64 | −3.0 |

## MINING NEWS

# Kitts-Michelin queried on waste disposal

BY KENNETH MARSTON, MINING EDITOR

THE Newfoundland Government has withheld its approval for the development of the Kitts-Michelin uranium mining project in Labrador pending the receipt of further information on the venture, particularly in respect to the manner in which the waste material will be dealt with.

The Rio-Tinto-Zinc group's Brinco holds 60 per cent of the venture and America's Commonwealth Edison power utility recently agreed to take the remaining 40 per cent. An open-pit operation is envisaged at the Michelin deposit and an underground operation at Kitts, the projected annual production being 1.3m lbs of uranium oxide over 15 years.

Brinco agrees with the Government and the Environmental Assessment Board that the subject of waste management is highly technical and complex, but is confident that it can demonstrate that the waste management facilities will be environmentally safe and will comply with all regulatory standards.

Last year Commonwealth Edison agreed in principle to arrange financing for mine and mill construction and to purchase up to 18m lbs of uranium oxide. Subsequently, however, the company initiated discussions for a revision of the arrangements in the light of the depressed market for uranium.

Development of the project was deferred pending an improvement in the uranium market, but it was decided to continue to secure the necessary approvals so that construction could go ahead as soon as conditions warranted.

### PROFITS SLIDE AT GUYMINE

Guyana Mining (Guymine), the state-owned enterprise, has reported a poor financial year, as expected, but has high hopes of a better performance in 1980, reports our Georgetown correspondent.

Net profits in 1979 were £5.6m, compared with £10.7m in 1978. Sales last year reached £65.5m, and showed a slight drop on the 1978 figure. But the company has paid £2m in dividends to the Government, slightly more than the previous year.

The industry was hit by a strike in January and another major stoppage in July-August. The company's situation was made worse by a relative shortage of skills and an inadequate level of spares.

### LABOUR UNREST AT STILFONTEIN

Work at one of the three shafts at the Stilfontein gold mine in South Africa stopped yesterday following unrest among 4,500 mineworkers.

But the reasons for the stoppage were not immediately apparent and, in Johannesburg, there was no inclination to link events at the mine with the wider pattern of unrest in South Africa.

The miners made no demands and gave no reasons for refusing to go underground, according to a spokesman for General Mining Union Corporation, the name now given to the parent mining house.

Output in the other two shafts of the mine was raised and the overall level of production has been unaffected.

In a generally weak market in South African mining shares yesterday, Stilfontein dropped 80p to 770p.

# Hemerdon begins test trials

A PILOT plant costing £900,000 to test the feasibility of commercial production at the Hemerdon tungsten-tin orebody near Plymouth has now been installed and testing of bulk sampling material has commenced, writes Stephen Thomson.

The Hemerdon project is a 50-50 joint venture between Hemerdon Mining and Smelting (UK), a subsidiary of Hemerdon Mining and Smelting Bermuda, and Amax, the diversified U.S. natural resources group.

A decision as to the commercial viability of the potential £40m open-pit mining project is expected to be made by the end of March next year and at the latest by the end of June 1981.

If the go-ahead is given, the mine will provide between 300 and 350 jobs and give the UK self-sufficiency in tungsten for the next 20 years, according to Mr. Roger Craddock, mine manager.

Hemerdon contains some 45m tonnes of ore grading 0.17 per cent tungsten trioxide (WO3) and 0.025 per cent tin (Sn.).

A representative sample of 8,000 to 10,000 tonnes of ore will be tested in the pilot plant. Given a go-ahead a seperate full-scale mill will have to be built and planning permission sought.

Amax officials estimate that a public enquiry into the venture will take around two years and construction of the mill between 18 months and two years. Commercial production could begin during the first half of 1985. To date exploration expenditure has reached U.S.$7.5m (£3.2m) and could amount to between $11m and $12m by the end of feasibility studies.

Under the terms of the original agreement, signed in October 1977, Amax has funded all exploration and feasibility work. If full-scale production goes ahead Hemerdon will have to raise its share of the financing costs.

Mr. Carl Schwarzwalder, chairman of Hemerdon Mining and Smelting said Hemerdon's share of this is estimated at £20m. He added that discussions regarding financing had already begun.

Other hurdles to be faced before Hemerdon can be brought into production include the possible environmental effect of large-scale open-pit mining on the area and the problem of contamination of natural streams by the arsenic contained in the orebody.

Amax officials studying the possible environmental effects of the operation said that the incidence of small amounts of arsenic in local streams is natural to the area and that they are looking closely at ways of preventing any further pollution.

### NATWEST/PARIBAS

Following an agreement with National Westminster Bank, the Compagnie Financiere de Paris et Des Pys-Bas group (Paribas) has acquired the 20 per cent holding in Union Financiere et Bancaire (Ufiba), formerly held by National Westminster.

For its part, NatWest has acquired some 2 per cent of Paribas, which now holds 90 per cent of Ufiba.

## BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

**TODAY**

Interims—Camford Engineering, Carr's Milling Industries, Comet Radiovision Services, Griqualand Exploration and Finance, McCorquodale, Murray Minor Investment Trust, Stilfontein Gold Mining, West Rand Consolidated Mines.

Finals—Allied Leather Industries, Armitage Shanks, Buffelsfontein Gold Mining, Clydesdale (Transvaal) Collieries, Eva Industries, Highams, Thomas Locker, Manchester and Metropolitan Investment Trust, Mountview Estates, Oceana Development Investment Trust, Sentrust Beperk, Standard Fireworks, Time Products, Trans-Natal Coal Corporation.

**FUTURE DATES**

Interims—
Lee (Arthur) ........ June 19
United Spring and Steel ........ June 12

Finals—
Andersons' Rubber ........ June 13
Braby Leslie ........ June 19
British Vending Industries ........ June 6
Continuous Stationery ........ June 11
Dawson International ........ June 16
Ferguson Industrial ........ June 16
Lloyd (F. H.) ........ June 20

# Transparent Paper at £1.02m

AFTER higher depreciation of £1m against £910,483, profits before tax of Transparent Paper amounted to £1.02m in the year ended March 29, 1980, compared with £1.003m in the previous year.

When reporting first half profits up from £311,000 to £406,000, the directors said that margins continued to be under severe pressure and prospects for maintained profit could not be regarded as favourable.

Tax for the year amounted to £178,882 (£204,839) leaving net profits at £839,156 against £798,255. The final dividend is 3.7933p, making a total of 5.7568p, compared with 5.51p.





# REED INTERNATIONAL LIMITED

## Preliminary Results for Year Ended 31st March 1980

**Trading Results**

Despite growing signs of world recession demand for the Group's products and services was strong for most of the year but pressure on margins was severe.

Results in Europe and North America were particularly encouraging and more than compensated for the loss of trading profit following divestments overseas in the last two years.

Exceptional costs and provisions for rationalisation charged against trading profit for the year totalled £12 million (1979: £13 million). No extraordinary items were reported (1979: £10 million loss).

| Geographical Areas | 1980 | | 1979 | |
|---|---|---|---|---|
| £m | Total Sales | Trading Profit | Total Sales | Trading Profit |
| United Kingdom | 1,287 | 69.2 | 1,135 | 73.6 |
| Europe | 157 | 9.7 | 181 | 3.8 |
| North America | 250 | 30.1 | 300 | 14.3 |
| Rest of World | 26 | (2.3) | 191 | 15.1 |
| | 1,720 | 106.7 | 1,807 | 106.8 |

After three years of restructuring and divestment of activities not in the mainstream of the business, the Group is now based on three main product areas – paper and packaging; publishing and printing; building and home improvements.

Following the sale in November 1979 of the pulp and paper operation at Dryden, Ontario for £36 million, the principal business of Reed Paper in Canada is now the successful newsprint mill in Quebec.

All manufacturing subsidiaries in Australia and South Africa have been sold and the Company's only continuing direct involvement in these countries is in publishing.

Capital expenditure increased from £48 million to £55 million. The Kiver publishing operation was acquired in the USA and agreement has been reached to purchase the outstanding shares in London and Provincial Posters in the UK.

Publishing, packaging, building products and paint all performed well. UK paper-making margins were seriously restricted by the continued escalation of energy costs and sterling. Wallcoverings continued to suffer from excess world capacity and the UK business is undergoing a major restructuring programme.

| Product Areas | 1980 | | 1979 | |
|---|---|---|---|---|
| £m | Total Sales | Trading Profit | Total Sales | Trading Profit |
| Paper and Packaging | 744 | 61.9 | 896 | 56.2 |
| Publishing and Printing: | | | | |
| Publishing | 389 | 27.9 | 341 | 30.8 |
| Newspapers | 186 | 6.3 | 165 | 10.0 |
| Building and Home Improvements: | | | | |
| Decorative Products | 280 | 0.7 | 267 | 3.7 |
| Building Products | 121 | 9.9 | 138 | 6.1 |
| | 1,720 | 106.7 | 1,807 | 106.8 |

**Finance**

Net debt fell from £226 million to £115 million reducing the debt/equity ratio from 80% to 34%. Cash from the divestment programme has been used both to reduce long-term debt and to maintain a strong cash holding for maximum flexibility. The related fall in interest charges from £29 million to £11 million contributed significantly to the improvement in pre-tax profit for the year.

Exchange losses for the year were £2 million compared with £10 million last year.

**Taxation**

The effective rate of UK taxation on pre-tax profit was 26% compared with 41% last year. The main reasons for the reduction were the impact of a higher level of capital expenditure and of higher stock relief on values increased by inflation. Overseas the return to substantial levels of profit and the use of accumulated tax losses in North America, reduced the rate to 18% from 49%. As a consequence the effective rate of tax has fallen from 44% to 24% of consolidated pre-tax profit.

**Earnings and Dividends**

Results in brief are:

| | 1980 | | 1979 | |
|---|---|---|---|---|
| £m | CCA | Historic | CCA | Historic |
| Sales (external only) | 1,516 | 1,516 | 1,611 | 1,611 |
| Trading Profit | 50 | 107 | 53 | 107 |
| Profit before Tax | 55 | 100 | 45 | 83 |
| Profit attributable to Shareholders | 30 | 75 | 6 | 43 |
| Total Funds Employed | 845 | 729 | 914 | 766 |
| *Earnings per Share* | 27p | 67p | 5p | 38p |
| Dividends per Share | 13p | 13p | 8p | 8p |

Having taken account of the progress made with the restructuring of the Group and the improvement achieved in earnings in both historic and current cost terms, the Board has decided to recommend a final dividend of 9p per share. Together with the interim of 4p already paid the proposed final dividend will make a total of 13p per ordinary share for the year compared with the 8p paid last year.

Subject to approval at the Annual General Meeting, which will be held on 30 July 1980, the final dividend will be paid on 12 August 1980 to Shareholders on the register on 1 July 1980.

**Consolidation of Overseas Results**

The 1980 results are for 52 weeks to 31 March 1980 both for the UK and overseas. The comparative figures for 1979 include overseas results for the year to 31 December 1978. Overseas results for January to March 1979 were: Sales £94 million and Profit attributable to Shareholders £4 million.

**PRELIMINARY CONSOLIDATED PROFIT STATEMENT (unaudited)**
**for the year ended 31 March 1980**

| | 1980 | 1979 |
|---|---|---|
| | £ million | |
| SALES | 1515.7 | 1610.9 |
| United Kingdom and Exports | 1120.2 | 968.5 |
| Overseas | 395.5 | 642.4 |
| TRADING PROFIT | 106.7 | 106.8 |
| SHARE OF PROFITS OF ASSOCIATED COMPANIES | 3.7 | 5.5 |
| OPERATING PROFIT | 110.4 | 112.3 |
| United Kingdom | 71.4 | 75.9 |
| Overseas | 39.0 | 36.4 |
| INTEREST | (10.5) | (28.9) |
| PROFIT BEFORE TAXATION | 99.9 | 83.4 |
| TAXATION | (23.8) | (36.3) |
| United Kingdom | (16.4) | (25.5) |
| Overseas | (7.4) | (10.8) |
| PROFIT AFTER TAXATION | 76.1 | 47.1 |
| OUTSIDE SHAREHOLDERS' INTERESTS | (1.4) | (4.4) |
| PROFIT ATTRIBUTABLE TO SHAREHOLDERS BEFORE EXTRAORDINARY ITEMS | 74.7 | 42.7 |
| EXTRAORDINARY ITEMS | — | (9.6) |
| PROFIT AFTER TAX AND EXTRAORDINARY ITEMS | 74.7 | 33.1 |
| DIVIDENDS paid and proposed | | |
| Preference | 0.2 | 0.2 |
| Ordinary 1980 13p per share (1979 8p per share) | 14.5 | 8.9 |
| PROFIT RETAINED | 60.0 | 24.0 |
| EARNINGS PER SHARE BEFORE EXTRAORDINARY ITEMS | 66.7p | 38.0p |

**CONSOLIDATED BALANCE SHEET (unaudited)**

| | 1980 | 1979 |
|---|---|---|
| | £ million | |
| FUNDS INVESTED | | |
| Shareholders' Funds | 495 | 434 |
| Outside Shareholders' Interest | 18 | 21 |
| Loan Capital | 216 | 311 |
| | 729 | 766 |
| FUNDS EMPLOYED | | |
| Properties and Plant | 229 | 274 |
| Investments | 27 | 28 |
| Goodwill | 160 | 153 |
| Working Capital | 212 | 226 |
| Net Cash Deposits | 101 | 85 |
| | 729 | 766 |

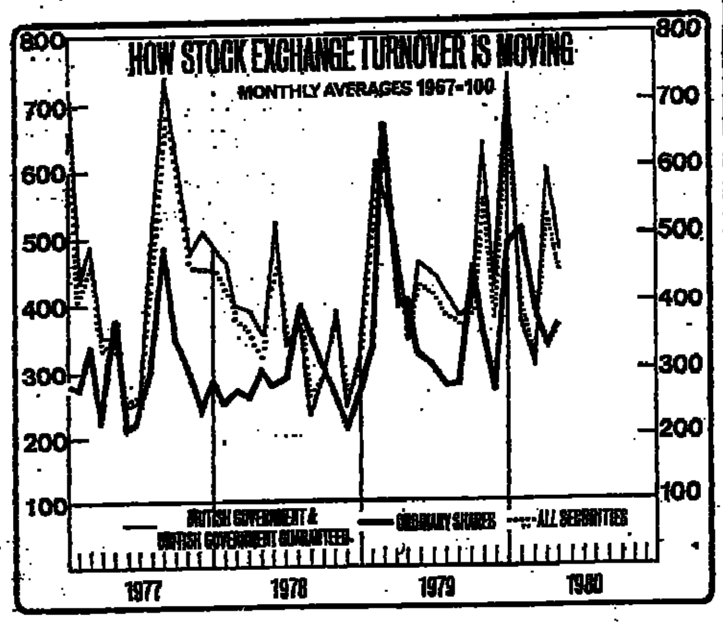
STOCK EXCHANGE TURNOVER IN MAY

# Improvement in equities, gilt-edged decline

BY NIGEL SPALL

A FALL in business in gilt-edged securities last month led to an overall decline in Stock Exchange turnover compared with April. Total turnover in May, at £14.64bn, was down £2.45bn, or 14.3 per cent. The FT Turnover index for all securities fell from April's 523.7 to 448.5, still above the 1979 monthly average of 431.5.

Sterling's strength continued to attract foreign funds to gilts but, hopes of an early reduction in Minimum Lending Rate receded, domestic interest lessened and business in British Funds slipped by £2.71bn, or just over 19 per cent, to £11.4bn, of which the shorts accounted for £6.87bn. Trade in other Government securities amounted to £4.52bn, a fall of £0.9bn, or nearly 17 per cent. The number of bargains done in the Funds, however, increased by 3,280 to 86,329, with deals in the short 2,450 higher at 35,162. Bargains in the longs and irredeemables improved by 830 to 51,167. The FT Turnover index for Government Securities fell to 482.0 from April's 596.9, still above the 1979 average of 454.8.




Business in equities improved slightly last month, but sentiment overall remained drab as investors held off in the face of a round of gloomy economic predictions.

Equity turnover improved £0.1bn to £2.02bn, or 7.7 per cent, while the average value per bargain increased slightly to £6,992. The FT Turnover index for Ordinary Shares rose to 361.0 from April's figure of 335.2, but the number of bargains declined by 21,027 to 289,371.

Share prices of the miscellaneous industrial leaders drifted progressively lower during May with sterling's adverse effect on export profit margins being one of the main deterrents to investment. From an end-April level of 440.4, the FT Industrial Ordinary Share index gave up 24.5 points to 415.9.

Increased tension in the Middle East and South Africa prompted renewed buying of gold and the bullion price closed the month $21 an ounce higher at $535¼. This found deflection in South African gold shares and the FT Gold Mines index finished the month 31.4 points higher at 332.8.

| Category | Value of all purchases & sales £m | Total % | Number of bargains | Total % | Average value per day £m | Average value per bargain £ | Average number of bargains per day |
|---|---|---|---|---|---|---|---|
| British Govt. and British Govt. guaranteed: | | | | | | | |
| Short dated (having five years or less to run) | 6,870.8 | 47.0 | 35,162 | 8.4 | 343.5 | 195,405 | 1,758 |
| Others | 4,517.7 | 30.9 | 51,167 | 12.2 | 225.9 | 88,291 | 2,558 |
| Irish Government: | | | | | | | |
| Short dated (having five years or less to run) ... | 542.3 | 3.7 | 1,493 | 0.4 | 27.1 | 363,207 | 75 |
| Others | 276.0 | 1.9 | 2,771 | 0.7 | 13.8 | 99,623 | 139 |
| UK Local Authority | 239.5 | 1.6 | 8,057 | 1.9 | 12.0 | 29,730 | 403 |
| Overseas Government Provincial and Municipal | 18.1 | 0.1 | 1,673 | 0.4 | 0.9 | 10,821 | 84 |
| Fixed Interest Stock Preference and Preferred Ordinary shares | 149.8 | 1.0 | 29,729 | 7.0 | 7.5 | 5,038 | 1,486 |
| Ordinary shares | 2,023.2 | 13.8 | 289,371 | 69.0 | 101.2 | 6,992 | 14,468 |
| Total | 14,637.3 | 100.0 | 419,423 | 100.0 | *731.9 | *34,899 | *20,971 |

* Average of all securities

# Pottery industry sickness reveals classic symptoms

BY PETER CARTWRIGHT

BRITAIN'S POTTERY manufacturers are bracing themselves for the worst recession to hit the industry since World War II. But although they are disappointed at having to introduce short time on a wide scale and postpone new investment, they are not dismayed. They have been through this kind of cycle before and emerged even stronger.

Nevertheless, the prospect of a flat 18 months before things are likely to improve is a dismal one. And 18 months is, by common consent, the time it will take to travel through this particular economic valley. Also, because of the way in which they have been affected by Government policies at both ends of their business—through inflation-priced raw materials and the effects of a strong pound in their chief export markets — the classic 18-month period is to a large extent their forecast of how long it will take to recover from present difficulties.

Even though they were unable to gauge the severity of the present crisis, pottery manufacturers have been aware of the possibility of recession for a considerable time. Most thought the real squeeze would come in the last quarter of 1979: that it is only now beginning to hurt really hard is due more to their efforts at postponing the evil day than to any economic let-up.

## EEC sales

The manufacturers were already beginning to look more seriously at the European market before the oil crisis of 1973-1974 and a strong pound began to transform their traditional markets in the U.S. and Canada. Since 1976, earthenware manufacturers have doubled their shipments to the Common Market. By last year it accounted for some 25 per cent more than the combined markets of the U.S. and Canada.

The overtaking year for European exports was 1978, when sales in the EEC countries were just short of £30m. Only just over £1m extra sales were, however, notched up in 1979 while business in the U.S. slumped from £16.3m to £12.5m, and sales in Canada declined from £13m to £11.7m. The lorry drivers' strike, which resulted in the loss of millions of pounds worth of exports and filled warehouses, was another negative factor in a period of increasing difficulty.

Earthenware tableware is the volume end of the business, accounting for £74.5m exports in 1979, and it is the volume business which has been hardest hit, since price rather than quality is the criterion for sales.

Circumstances have dealt more kindly to that unique product, English bone china. Since 1977, exports by value to the U.S. have increased by more than £2½m to almost £12m, and to Canada by a third to more than £13m. In the same period, bone china exports to EEC countries have almost doubled at £12.2m, a very remarkable achievement by any standards. It shows a responsiveness to changing markets and a marketing expertise that few other UK industries can match. Other sectors, though not all, have been similarly successful. Ornamental ware makers, for instance, have more than doubled exports worldwide in the past two years to nearly £19m.

Of course, value figures incorporate the effects of inflation, but the industry has been making progress in most sectors excepting electrical porcelain. It has, therefore, been all the more galling to see such hard won improvements in performance negated by the twin evils of inflation and an artificially strong pound.

Predictably, as already indicated, it has been the lower-priced volume producers of tableware that have felt the downturn first. Volume china ware makers have been affected more patchily. And the limited edition, specialist studio potteries making animals, birds, floral pieces and other pieces from £32 to £21,000 each are still as busy as ever, with some even expanding.

In the Potteries some 3,000 workers have lost their jobs and more than 5,000 are on short time—almost equally divided between men and the women who do the decorating. This means that 10 per cent of the labour force are losing a day or two days a week, and getting them back into full-time work is going to be extremely difficult, given present conditions.

In the past three years inflation at home and a strengthening pound has, one potter estimated, added 50 per cent to the price of his wares in the U.S.—enough to slice off much of the market. "We are concentrating on those markets whose economies are still strong and where we have a better chance of progressing," he said. "We are, for instance, expanding quite well in Japan after a decade of hard work. Nevertheless, the U.S. is still our most important market, and likely to remain so."

The pottery industry obtains no compensating benefit from the strong pound. All but a small percentage of its raw materials are indigenous, and these have increased in cost by 25 per cent in the last three years. A sanitary ware maker pointed to the "frightening" pace at which gas, the Potteries main fuel to fire the kilns in which pottery is made, has been shooting up in price—by 800 per cent in four years. "It is playing havoc with our costs," he said. "Fuel as an element has doubled to 8-10 per cent and further rises are on the way. Markets just won't stand for this kind of increase."

Gas prices are a particularly sore point in the industry. It is pointed out that potters are paying between 23-30p a therm, depending on individual contracts, while householders are paying 19.3p. And while the Gas Board has a statutory duty to connect homes and factories if within 25 yards of a main, the factory obligation is meaningless, since its restricts the duty to supply to 25,000 therms annually.

The industry feels very strongly that it is being unfairly treated. "Outrageous," is the way Mr. Anthony Wade, president of the potters' federation, describes the situation.

Sandwiched between these opposing pressures is a substantial wage claim from the labour force, which currently accounts for 35-40 per cent of total costs.

The claim, say the employers, is equivalent to a rise of between 25 and 40 per cent when everything has been taken into account, including a reduction from 40 to 37½ hours a week. The Ceramic and Allied Trade Union, on the other hand, argues that it is much more in line with the 20 per cent settlements in other industries. Luckily, industrial relations within the industry are among the best in the country and, as in other years, a sensible compromise is expected.

Apart from seeking new markets the industry is also fighting back on the home front. The sanitary ware people are following the example of the kitchen equipment makers and trying to persuade householders to modernise their bathrooms. The recently formed British Bathroom Council is spending £500,000 in newspaper and TV advertising extolling the virtues of baths and showers with the light-hearted theme: "Does your bathroom make you feel like sinking?"

A similar spirit of determination is also evident on the manufacturing side. After the Interpace corporation subsidiary Myott-Meakin lost £1.5m in the last financial year, the future of its three potteries and 700 employees looked precarious. Since Abrahams, Birmingham, with 81 per cent and the Towle Corporation with 19 per cent acquired Myott-Meakin and brought new outlets into play (Towle is a distributor) the situation has changed dramatically. "We have picked up so many orders we are beginning to be worried about our capacity and indeed to think about expansion," a spokesman said. Operations on the Hanley site now look much more assured and the possibility of more than 300 jobs being saved more hopeful.

## Subsidies

Nevertheless, the industry has never been more vulnerable. On top of all its present worries is the spectre of increasing imports from low cost countries and others where hidden subsidies are given to exporters.

Last year, for example, imports of ornamental ware amounted to £26m—£7m more than UK exports. In Taiwan there are 250 ornamental ware makers, while Korea's sector of the industry is twice the size of the UK's.

Imports from Taiwan are growing fast and are already up to £5m a year. This is the most serious threat from overseas. But sanitary ware makers are also feeling the effect of cut-price competition, with imports from Italy (regarded as a flagrant case of subsidisation) running at £250,000. Some 20 per cent of the UK tiles market is now held by foreign manufacturers and again Italy is identified as one of the biggest exporters. Having seen the motor and other industries succumb to foreign competition it is understandable that the pottery industry is acutely anxious at the effect of such competition when it feels it is fighting with one hand tied behind its back because of the effect of the strong pound on exports.

Despite current difficulties the UK industry is not advocating import controls. Twenty years ago when manufacturers were faced with the possibility of a Japanese invasion of the tableware market while they were concentrating on building exports, industry-to-industry talks were started and blossomed into a voluntary system of control by the Japanese geared to the expansion of the market.

Mr. Sam Jerrett, director of the British Ceramic Manufacturers' Federation, who successfully concluded the Japanese agreement, has recently been to Taiwan and Korea on a similar mission. He is convinced that the only lasting way to reach amicable agreements is by such industry-to-industry negotiations.

"The whole of the consumer market is running into import problems," he pointed out. "They are not going to be cured by import controls. What is wanted are import regulations, like those we have negotiated with Japan."

In this connection the industry noted with exceptional interest the views of Mr. Cecil Parkinson, Minister of State, Department of Trade, when he stated: "While there is no prospect of reducing imports, we will have to pay particular attention to securing acceptable rates of growth."

The pottery industry would like to hear more such indications of governmental interest.

Terry Kirk

A craftsman at work on a Royal Doulton figurine—one of the areas of the industry least affected by the present recession

MAIN MARKET CHANGES

£m

| CHINA TABLEWARE | 1977 | 1978 | 1979 |
|---|---|---|---|
| U.S. | 9.2 | 13.06 | 11.9 |
| Canada | 10.0 | 11.6 | 13.3 |
| EEC | 7.1 | 9.6 | 12.2 |
| EARTHENWARE | 1977 | 1978 | 1979 |
| U.S. | 15.1 | 16.3 | 12.5 |
| Canada | 11.3 | 13.0 | 11.7 |
| EEC | 22.7 | 29.6 | 30.7 |

UK POTTERY EXPORTS

£m

| | 1977 | 1978 | 1979 |
|---|---|---|---|
| China Tableware | 37.0 | 45.5 | 50.6 |
| Earthen Tableware | 67.5 | 76.8 | 74.5 |
| Ornamental Ware | 8.8 | 13.2 | 18.9 |
| Sanitary Ware | 12.2 | 19.1 | 13.6 |
| Tiles (glazed/unglazed) | 11.6 | 12.7 | 13.6 |
| Electro Ceramics | 11.6 | 9.6 | 10.4 |



## LEGAL NOTICES

NOTICE OF MEETING OF CREDITORS
Pursuant to Section 293 Companies Act, 1948

Name of Company:
DRIPKARN LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 293 of the Companies Act, 1948, that a meeting of the Creditors of the above-named Company will be held at 40 Highgate West Hill, London N6 6LU, on Thursday, the 19th day of June, 1980, at 11.30 o'clock in the forenoon, for the purpose of having a full statement of the position of the Company's affairs, together with a List of the Creditors of the Company and the estimated amount of their claims, laid before them, and for the purpose, if thought fit, of nominating a Liquidator and of appointing a Committee of Inspection.

Notice is also given that, for the purpose of voting, Secured Creditors must (unless they surrender their security), lodge at the Registered Office of the Company at Suite 404, London International Press Centre, Shoe Lane, London EC4, before the Meeting a Statement giving particulars of their security, the date when it was given, and the value at which it is assessed.

Dated this 27th day of May 1980.

By Order of the Board of Directors,
GREGORY NEIL DAVID THAIN,
Director.

## PUBLIC NOTICES

GLASGOW DISTRICT COUNCIL
Bills issued 4.6.80 £5.0m at 16 5/64%, maturing 3.9.80. Applications £44m. Bills outstanding £13.25m.

NOTICE TO HOLDERS OF

Honda Motor Co., Ltd.

(HONDA GIKEN KOGYO KABUSHIKI KAISHA)

5½ per cent. Convertible Bonds 1989

Pursuant to Condition 5(C)(xi) of the above Bonds, notice is hereby given that, because of issue of 40,000,000 new shares of Common Stock in Japan, the conversion price of the Bonds was adjusted, effective as of June 1, 1980, Japan time, from Yen 582 per share of Common Stock to Yen 530.9 per share of Common Stock.

Honda Motor Co., Ltd.
By: The Bank of Tokyo Trust Company as Trustee

June 4, 1980

# MEPC uplift from new lettings & reversions

BY MICHAEL CASSELL

IMPROVED income from new lettings and reversions helped boost pre-tax earnings of MEPC by 66 per cent in the six months ended March 31, 1980.

The property development group, which reports total income for the period of £31.24m against £28.29m last year, says the earnings £10.39m (£6.26m) were struck after finance costs of £11.64m (£12.01m) and the transfer of £2.22m (£1.91m), an amount equivalent to interest and other outgoings applicable to development properties.

An interim dividend of 1.75 (1.5p) is announced and earnings per share for the first half are stated at 3.73p against 3.3p and 3.68 (2.9p) fully diluted. Present indications suggested second-half earnings per share will be of the same order.

According to the directors, the uplift in earnings has come from three principle sources. Income derived from reviews of existing leases throughout the company's mixed investment portfolio has grown while lettings of newly developed properties have made good progress. In addition, income arising from proceeds of the June 1979 rights issue, together with the reduction in interest payable on the 5 per cent convertible loan stock—the *major part of which was converted in February this year into* 27.6m ordinary shares—has helped the earnings picture.

Almost 85 per cent of the space in the 415,000 sq ft Sydney Exchange Centre is now occupied and producing income while the Eurohaus scheme in Frankfurt is fully let. The 400,000 sq ft Manhattan Centre in Brussels is now over 80 per cent occupied. In the U.S., the final phase of the Parkdale development in Minneapolis has been let as soon as space becomes available and is expected to be fully income producing by the year end. Banque Nationale de Paris is to take 27,000 sq ft of the new Ardilaun Centre due for completion in Dublin in late 1981.

MEPC says that, since December, the company's capital investment programme has not been extended significantly. In the UK, the current programme of development is proceeding "on time and more or less on cost" and is continuing within the limits which the company has carefully set down. The Guildford and Oxford Street developments are both expected to be completed early in 1981.

The company, which currently holds around 70 per cent of its asset value in the UK with the remainder overseas (and sees a *rather lower proportion of its* income coming from overseas), says that the comparative strength of sterling has had a marginally adverse effect on overseas income. The impact had been minimal because of its tendency not to repatriate funds but the position was likely to encourage the expansion of the company's direct operations in the North American market.

# 'Sizeable drop' seen at Bentalls

AFTER A reasonably good start to the current year in February and March, Mr. J. D. Spooner, chairman of Bentalls, told members at the annual meeting that sales in April and May had been very disappointing, and he expected a "sizeable drop" in first-half profits.

He added that directors of this department store concern, were making every effort to keep expenses in line with their projected turnover, but even so it was unlikely the company would match last year's results.

Pre-tax profit for the first half *of 1979-80 was £984,000 out of a* full year's figure of £2.25m.

# Unexciting start for UDS

SALES GROWTH in the first quarter at UDS, the stores group, is described as "unexciting" by Mr. Bernard Lyons, the chairman, in his annual report. He warns that first half profits may be lower, but the company is looking for improvement in the *second six months* and expects to turn in a satisfactory full-time result.

Meanwhile, the group has decided, in the light of economic conditions and high interest *rates, to reduce the pace of its* department stores development programme though its ultimate expansion plans here remain unchanged. At February 2 future capital spending commitments overall were down from £12.02m to £4.41m of which £2.7m (£6.39m) had been authorised but not contracted.

Mr. Lyons points out that a revaluation of the 178 retail shops and other properties held by Van Allan at the time of its acquisition, for £16.5m, by UDS in August last year, has been professionally revalued at £18.78m.

Since acquisitions 14 Van Allan *shops have been transferred* to the group's other multiple chains where a significant sales increase is already being seen. A further 16 non-profitable shops have been closed and sold for more than book value and the business, which was trading at a loss under previous ownership, has produced a small trading profit in the 19 weeks since its takeover.

Group balance *sheet shows*

After meeting the cost of acquisitions, capital expenditure requirements and the increase in working capital, the group's total net borrowings were down some £21.5m to £43.66m. To maintain maximum liquidity during the current period of high interest rates UDS has entered into sale and leaseback arrangements a small number of its freehold properties.

Towards the end of last year the directors decided to close the furniture business of James Grant and Co. (West) in Scotland and Grange Furnishing in the south east. Operating from 39 shops, many of which were too small for their particular trade, these businesses had combined sales of only 2.5 per cent of group turnover with a cyclical profit history.

These closures will be completed by mid-summer 1980.

As known the group's taxable profit slipped to £24.12m (£27.82m) in the 53 weeks to February 2, 1980, on sales of £445m (£386m). The net dividend is raised to 6.21p (5.645p).

During the year there was a net inflow of £11.57m (£6.76m).

Sales at John Myers Mail Order were 18.5 per cent higher but heavy investment in agency growth has meant only modest profits for the past three years. Results for last year fell short of target but a better return is now sought as costs level out, Mr. Lyons says.

# Sketchley raises profits to record £5.7m: dividend boost

FOLLOWING the rise from *£2.79m to £3.32m in the first six* months, Sketchley, the industrial workwear rental, dry cleaning and textile finishing group, reports pre-tax profits up from £4.94m to a record £5.74m in the year ended March 28, 1980.

Stated earnings per share rose from 28.8p to 38.4p and as expected a higher final dividend is being recommended—the payment is 5.2p (3.29p) lifting the total from 5.49p to 8p.

Commenting on the results, Mr. G. Wightman, chairman, says that all divisions achieved satisfactory results in a difficult year.

Although the general economic outlook for the current year is not good, sales of all divisions are ahead of the comparable period last year. Provided there is no further deterioration in the national economy, the group looks forward to a year of continued progress, the chairman states.

The group's freehold and long leasehold properties were re-valued at the end of the year revealing a surplus of £1.07m which has been credited to shareholders' funds together with all of the balance on the deferred tax account at March 30, 1979.

After allowing for the final dividend the value of the shareholders' investment as disclosed by the group balance sheet at March 28, 1980, is some £23.5m (156p per ordinary share).

The charge for interest has risen to £258,000 because of the high rates which prevailed for much of the year and because of the higher borrowings which were incurred to finance the group's continued expansion.

Borrowings at March 28, 1980, amounted to just under £6m. Adequate short and medium term facilities are available to meet the group's financing requirements, the chairman adds.

The group has now adopted SSAP 15. As a consequence of *the high level of investment in* fixed assets and workwear during the year the tax charge is minimal.

This is then offset by an over provision in respect of prior years. *Unrelieved ACT* has been carried forward as it is expected to be recovered against the current year's mainstream liability.

Extraordinary items include goodwill arising on acquisitions £1.59m (£106,000) less the net surplus arising from the disposal of properties and other items totalling £192,000 (£59,000).

### ● comment

With the benefit of hindsight, Sketchley's move into industrial workwear looks increasingly clever. High street cleaners operate on heavy fixed costs and the recession is reducing volume, offset only partly by increased repair business. To counteract this trend, however, is the rising volume of the industrial division, where the National Coal Board contract holds the centre of the stage. Material purchase costs are now fully accounted for, so the NCB arrangement will be contributing a very high margin over the next few years. Growth in the industrial area has recently driven profits sharply higher but the momentum of new business is now slackening. To compensate, Sketchley is pushing into lighter commercial clothing. On top of this, it has a gearing ratio which has now peaked at 25 per cent and offers plenty of scope for acquisitions (the OFT permitting). The group's predatory eye may account for the dividend which, despite a 43 per cent gross increase, is 3.6 times covered by historic earnings and, on a share price of 239p, offers a yield of only 4.9 per cent. The stated p/e is only 6.1 but the rating is distorted by an exceptional tax credit. The fully taxed multiple is 12.7.

# Save & Prosper Linked higher

Taxable profit of Save and Prosper Linked Investment Trust rose *from £447,023 to* £548,090 for the half year to March 30, 1980. The net balance was ahead £70,032 to £382,086 after tax of £166,004 against £134,696.





## RESULTS AND ACCOUNTS IN BRIEF

MARSHALL'S UNIVERSAL (motor vehicles, accessories and paper and board products distributor)—Results for 1979, reported May 9. Group fixed assets £8.5m (£7.48m). Net current assets £18.49m (£12.12m). Including cash and bank balances £4.7m (£2.15m). Meeting, Fairfield Halls, Croydon, June 23, noon.

SUNDERLAND AND SOUTH SHIELDS WATER—Results for year ended March 31, 1980, already known. Fixed assets £26.25m (£26.16m). Net current *liabilities* (£1.08m (£1.41m). Increase in cash and bank balances of £97,412 (£47,486 decrease). Meeting, Sunderland, June 18, noon.

EAST SURREY WATER—Results for March 25, 1980 year already known. Fixed assets £13.85m (£14.37m). Net current liabilities £271,000 (£287,000)—Bank overdraft £319,000 (nil). Cash and bank balances decreased by £269,000 (£198,000). Meeting, Redhill, Surrey, June 20, 10.30 am.

CHANNEL TUNNEL INVESTMENTS—Gross income for 1979 £15,493 (£12,582). Net income £4,010 (£1,689) after tax and expenses. Earnings per share 0.27p (0.12p).

JOHN BAKER (INSULATION)—Pre-tax profit for 1979 £51,377 (forecast £50,000). Dividend £28,440. ACT £12,188. Retained £10,749.

LONDON ENTERTAINMENTS (theatre production and management)—Pre-tax profits for six months to February 29, 1980 £95,281 (£80,983): tax £36,063 £29,701). No interim dividend (same). Chairman says eight-year run of Jesus Christ, Superstar, ends in August. The Palace Theatre, London, will then be closed briefly prior to new production of Oklahoma which starts on September 17.

BRITISH SHOE CORPORATION (subsidiary of Sears Holdings)—Results for year ended January 31, 1980, already known. Group fixed assets £340.13m (£333.38m). Current assets £163.45m (£135.69m). Current liabilities £120.72m *(£93.53m). Meeting,* 40 Duke Street, W, June 24, 11.10 am.

EVERED AND CO. HOLDINGS (non-ferrous metal manufacture, engineering)—Results for 1979 reported May 20 with prospects. Group fixed assets £2.44m (£1.21m). Net current assets £926,264 (£1.44m). Net liquid funds decreased £189,525 (£18,354). Meeting, Birmingham, June 20, noon.

ESTATES AND GENERAL INVESTMENTS (property investment and development, hotel trading)—Results for 1979 already known. Group fixed assets £13.2m (£12.83m). Net current assets £1.91m (£0.83m). *Net liquid* funds fell by £38,947 (£2.06m). Chairman says company is well placed to take advantage of any improvement in conditions. Meeting, Savoy Hotel, WC, June 26, noon.

HELENE OF LONDON (manufacturer of *fashion and leisurewear*)—Results for 1979 already known. Fixed assets £874,293 (£815,360); current assets £6.03m (£5.73m); increase in working capital £330,312 (£468,085). Chairman says company has conserved its liquidity and is in a position to continue its expansion both by acquisition and by internal growth. Meeting, Great Eastern Hotel, Liverpool Street, EC, June 23, noon.

SCOTTISH AGRICULTURAL SECURITIES CORPORATION—Results for year ended March 31, 1980, already know. Fixed assets £17.55m (£16.17m). Current assets £524,308 (£449,597). Current liabilities £1.91m (£2.44m). Meeting, Edinburgh, June 24 2.45 pm.

GRAMPIAN HOLDINGS (industrial services, consumer goods)—Results for 1979 reported April 11. Group fixed assets £9.16m (£9.09m), net current assets £8.68m (£6.37m). Shareholders' funds £14.21m (£13.24m). Current cost pre-tax profits £431,000 (£305,000) compared with historical £1.93m (£1.68m). Chairman believes company is in a position to take advantage of any upturn in the economy. Emoluments of highest paid director were £67,482 £59,323). Meeting, Glasgow, June 26, at noon.

CHESTERFIELD PROPERTIES—Results *for 1979 already known.* Group properties 91.95m (£32.27m), investments £2.06m (nil), net current liabilities £10.28m (£2.19m), bank loan £4.55m (£1.5m), shareholders' funds £69.64m (£19.17m). Chairman says company's rental income can be expected to rise by just under £1m at current values *over next three years;* profits will continue to rise at a steady and satisfactory rate. Meeting, Avery House, W, June 25, 11 am.

FRENCH KIER HOLDINGS (civil engineering, construction, building, housing and property development)—Results for 1979 reported May 13 in *full preliminary statement.* Group fixed assets £24.71m (£21.48m), net current assets £11.95m (£8.2m). Shareholders' funds £28.04m (£23.15m). Chairman believes there will be a reasonable outcome to group's operations during 1980. Meeting, Waldorf Hotel, WC, June 27, noon.

WETTERN BROTHERS (construction materials manufacture and distribution)—Results for 1979 reported May 31 with prospects. Group fixed assets £1.46m (£1.33m), net current assets £1.01m (£1.11m). Net liquidity down £239,000 (up £41,000). Meeting, Fair*field Halls, Croydon, June 26, 11 am.*

WEEKS ASSOCIATES (trailers, industrial and agricultural equipment)—Results for year ended January 27, 1980, reported May 10 in full preliminary statement. Historical pre-tax profit £41,834 (£454,798) turned into *£286,731 loss (£239,641 profit) on CCA* basis. Group fixed assets £2.73m (£2.48m), net current assets £1.64m (£1.43m). Borrowings at £2.88m represent 72.7 per cent of shareholders' funds, £3.96m. On May 2, Grovewood Securities held 24.09 per cent of issued *share capital.* Meeting, Hull, June 25, noon.

SCOTTISH NORTHERN INVESTMENT TRUST—Results for year to March 31, 1980, already known. Investments £64.96m (£66.61m); asset value 101.4p (102.63p equivalent); increase in *liquidity £782,000 (£683,000). Chairman* says the board continues to believe in the fundamental attractions of investment in North America and, at the appropriate time, will increase its participation. Meeting, Aberdeen, June 27, 12.15 pm.

PETALING TIN—*Output of tin ore for* May 152.38 tonnes.

PAHANG CONSOLIDATED—*Output of* tin concentrates for May 91 tonnes.

HONGKONG TIN—*May output* 54 tonnes.

NORTH AMERICAN NEWS

# Motor slump forces Dana to speed diversification

BY IAN HARGREAVES IN NEW YORK

DANA, one of the largest U.S. suppliers of automotive components, has been badly hit by the country's motor industry problems, forcing it to close plants and effectively accelerate its attempts to diversify from the cyclical motor trade.

Dana, based in Toledo, Ohio, at present has 20,000 active employees in North America, compared with 30,000 a year ago. In the past four months it has announced the permanent closure of four plants prodcing frames, axles, castings and gaskets for light trucks.

The company has been hardest hit in the light truck sector, where industry sales were down more than 40 per cent in the first five months of this year compared with the same period of 1979.

The slump in sales of vans and pick-up vehicles, along with such speciality vehicles as American Motors' Jeep, has been created not only by the rise in fuel consciousness and the combination of high interest rates and recession, but by a collapse of the market for leisure use of light commercial vehicles.

Dana is also suffering from the rapid switch in the U.S. car and commercial vehicle markets to smaller, front-wheel-drive power systems.

During the last recession, Dana managed to buck the normal cyclical trend in the industry, largely because of the emergence of the new market for light trucks.

This year, analysts expect the company's spectacular record of annual sales growth averaging 25 per cent a year over five years and net profit growth of 28 per cent a year in the same period to be brought to an abrupt end. Dana also now has problems in the weakening markets for agricultural and construction equipment and for heavy trucks.

Last year the company earned $164m on sales of $2.76bn. In the first six months of its current year net profits were $70m, compared with $80m in same period of the previous year, on sales up to $1.37bn from $1.35bn.

# Exxon to increase spending by $500m

By David Lascelles in New York

EXXON, the world's largest oil company, yesterday announced that it would increase its capital spending this year by $500m, bringing it to a total $8bn, a record.

Together with increases announced recently by other U.S. oil majors, these higher outlays are becoming significant in offsetting the impact of the U.S. economic recession.

Exxon's total planned outlays this year will exceed by some 18 per cent the $6.8bn it spent last year. Other companies who have said they will spend more than originally planned this year include Texaco up by 33 per cent, and Standard Oil (Ohio), British Petroleum's U.S. affiliate, which raised its budget from $950m to $1.1bn.

Most of these increases in spending will be for oil and gas exploration, and geographically the largest proportions are earmarked for energy development in the U.S.

The demand for process plant, steel pipe, driling stems and ancillary equipment created by this spending is already being viewed by analysts as an important counter-cyclical force. Leading companies in the steel industry have also said they expect the demand for steel pipe to offset declining deliveries to the much-depressed car market.

# Orion again rejects Shearson

BY OUR FINANCIAL STAFF

ORION CAPITAL Corporation has rejected the increased $17.50 a share takeover proposal from Shearson Loeb Rhodes, the Wall Street investment firm.

At yesterday's annual meeting Mr. Alan Gruber, chairman of Orion, which is the successor company to Equity Funding, said the offer from Shearson was grossly inadequate. The latest bid, which supercedes a previously rejected $16 proposal, values Orion at about $129m. Mr. Gruber several times at yesterday's meeting refused to say what he considered a fair price for Orion would be.

Representatives of Shearson at the meeting told shareholders that its offer was only a beginning and that it was eager to enter into negotiations with Orion, a life insurance and property and casualty concern. It has substantial carried-forward tax losses from Equity Funding which cannot be used to offset tax liabilities on life insurance profits.

Mr. Gruber said yesterday that Orion did not have any plans to talk to Shearson.

Last year Orion had premium income of $164m and earned $1.74 a share on its 7.36m outstanding common shares.

Orion said yesterday that the company and its directors were named as defendants in a purported class action law suit filed in the New York Supreme Court. The suit complains that the plaintiff has been damaged by Orion's decision not to negotiate on the Shearson proposals.

Orion's management said it believed the complaint, which made no specific damages claims, was wholly without merit and had referred the matter to its legal counsel.

# Alcan to study smelter plan

By Our Financial Staff

ALCAN ALUMINIUM, the Montreal-based integrated aluminium group, is to undertake a feasibility study of a joint venture for a 45,000-ton-per-year aluminium smelter in Mexico.

The smelter would be located near Tampico on the Gulf of Mexico and would supply domestic Mexican needs.

The feasibility study is a joint venture with Comalum, which is owned by Mexico's three leading aluminium transmission cable producers, Alcan said. If the study proves favourable and the Mexican Government gives its approval, production could begin within three years, the company said.

# Strong second quarter at Fluor

BY OUR NEW YORK STAFF

FLUOR, the large Californian manufacturer of plant for the petrochemical industry, yesterday reported second quarter earnings of $36m, up 59 per cent.

Mr J. Robert Fluor, the chairman, also forecast that the company's strong performance would continue throughout the year "relatively immune from any adverse effects of the current recession" because of the company's connection with the growing energy producing industries.

The company's earnings increase was posted on sales of $1.15bn, 36 per cent higher than in the 1979 period. Half year sales reached $2.2bn, up 34 per cent, with net income of $64.1m, up 38 per cent.

Growth was strong in all sectors of the company's business and outstanding in the company's non-engineering businesses, which mainly consists of natural resources production. Engineering and construction account for three-quarters of Fluor's business.

The company's orders, however, have shown some slight deterioration. New orders booked in the quarter just completed totalled $2.7bn, compared with $3bn in the 1979 quarter. The order book stood at $13.6bn at the end of April, compared with $12.9bn at the end of April, 1979.





INTERNATIONAL CAPITAL MARKETS

# Lloyds Bank plans £50m FRN issue

BY PETER MONTAGNON

LLOYDS BANK is to be the second borrower on the new sterling FRN market. Terms were set yesterday for a £50m 10-year issue with interest payable at ¼ per cent over six-month Libor.

The borrower is Lloyds Eurofinance NV, a wholly-owned subsidiary of Lloyds Bank International, which is sole lead manager for the issue. Minimum coupon is 8 per cent.

Market indications yesterday were that the issue would meet a more favourable reception than was accorded the first borrower in this market, Scandinavian Bank, which floated a £20m issue last week.

Although this is a larger issue, the name of Lloyds Bank is better known, which should make the issue more marketable. It will thus be a better test of the potential of this market than the Scandinavian Bank issue.

Sterling Eurobond prices firmed strongly in afternoon trading yesterday after Mrs. Margaret Thatcher, the Prime Minister, announced that the rebate on Britain's EEC budget payments would reduce the public sector borrowing requirement and thereby help to lower interest rates.

This was taken bullishly by the bond market, although some dealers also voiced concern at the simultaneous fall in the sterling exchange rate.

A new issue was also announced in the dollar sector. This is a $50m, five-year bullet issue for IBM Canada with a coupon of 10¼ per cent and issue price at par. It is being managed by Wood Gundy, Morgan Guaranty and Salomon Brothers International.

Dollar Eurobond prices closed little changed on the day after recovering earlier losses on weaker overnight indications from New York.

The new Pemex issue, whose 11¼ per cent coupon was ¼ point higher than expected, met with a reasonably good reception. It was quoted in the grey market at a discount of 1¼ points.

In the DM sector foreign bond prices shed about ¼ point in thin trading. The market was disappointed by terms of the new DM 1.5bn 10-year Federal Government issue in the domestic market which carries a coupon of 8¼ per cent and issue price of 100¼. This is seen as an indication by the Bundesbank that it wants to avoid an interest rate slide in Germany. Many dealers had hoped for a lower coupon.

Prices on the Swiss franc secondary market were virtually unchanged yesterday as the Swiss Government announced another tender issue in the domestic market of SwFr 250m 4¾ per cent 10-year bonds.

Morgan Grenfell (Switzerland) is launching a private placement of SwFr 30m for the Central Finance Company of Japan. The five-year paper offers a coupon of 6¼ per cent with interest paid semi-annually to yield 6.22 per cent and is unconditionally guaranteed by the Tokai Bank.

Following the recent success on the Luxembourg franc market of the Swedish Investment Bank, Paribas (Luxembourg) is to lead manage a LuxFr 250m private placement for the Belgian armaments company, Fabrique Nationale. At 12¼ per cent the bonds yield a full point more than the Swedish issue and also have a shorter maturity of five years.

# U.S. corporate bond yields below 10%

By Our New York Staff

U.S. CORPORATE bond yields broke back through the 10 per cent level for the first time in nearly nine months yesterday when Coca Cola floated $100m of bonds at 9.914 per cent. The last issue in this range was International Business Machine's much publicised $1bn offering last October.

This was the first time Coca Cola had ever issued bonds on the open market and as such they had a scarcity value which was reflected in their high price. They were also rated triple A, the highest available.

But elsewhere in the market interest rates have been edging up in the last few days because of the enormous volume of corporate borrowing triggered by declining interest rates. Currently, new issues are running close to $1bn a week, three or four times the normal rate.

A sign of the slight increase in interest rates came yesterday with the latest Bell telephone system issue, $100m of Wisconsin telephone bonds which carried a yield of 11.45 per cent. This compared with 11.07 per cent on the Bell issue of May 6 when rates hit their steepest slide from the mid-April peak.

Evidence of a weakening market also came when the Coca Cola bonds did not sell as fast as anticipated. By midday, the issue was about 60 per cent sold out, which suggested it might not sell out on the first day.

Short rates moved erratically in the early part of the day, and the Fed intervened at one point to stop the key Fed funds rate moving above 11¼ per cent. On Monday night, three month Treasury bills brought a yield of 8.035 per cent at the weekly auction, up from 7.675 per cent the week before.

# EPA reprieve for Ford

By Our New York Staff

FORD MOTOR has been granted a one-year reprieve from the exacting anti-pollution standards of the U.S. Government for its small "world cars," which are to be launched in the U.S. and Europe this autumn.

The Environmental Protection Agency said it would give Ford an extra year to meet its current carbon monoxide emission standards for the 1.3 and 1.6 litre engine for the new car. Ford has asked for two years' grace.

Although the bulk of previous waivers has gone to companies such as Chrysler and American Motors, which are financially weak, the agency said its decision on Ford had not been related to analysis of Ford's current problems.

The agency did, however, disallow a request for a waiver from General Motors for its new eight-cylinder engine. Both Ford and GM have other requests pending.

Ford told the agency that it was incapable of meeting the EPA standard in its first year of production of the new cars, which are to be sold under the Escort name.

## Citicorp recovery

Citicorp, parent of Citibank, second largest bank in the world, expects net income in the remaining quarters of 1980 to be substantially better than that in the first quarter, according to Mr. Walter B. Wriston, chairman. He said the sharp drop in Citibank's cost of money will be extremely beneficial. Reuter reports from New Orleans. In the 1980 first quarter, net income was $77.5m against $124.3m in 1979's first quarter.

## Whittaker surge

Whittaker, whose interests range from metals and chemicals to health care and power boat manufacture, boosted second quarter earnings from $11.38m or 80 cents a share to $16.11m or $1.10 a share. AP-DJ reports from New York.

# Germany sets terms for repayment of Young Loan

BY NICHOLAS COLCHESTER

THE West German Government has announced repayment terms for the Young Loan—a $300m multi-currency bond floated in Western countries for Germany in 1930. But the terms for the repayment—$166.12 for each $100 of face value—may well prove insufficient, according to the trustee for the loan, the Bank for International Settlements.

The redemption date was June 1, 1980 and the argument over the correct amount payable derives from the somewhat ambiguous terms which were renegotiated for the bond at the London Debt Agreement in 1952.

These ordained that repayment be calculated in the "least depreciated" of the currencies in which the original loan had been extended. West Germany has since maintained that "least depreciated" applies to International Monetary Fund (IMF) parities. Some bond holders insist that the clause means least depreciated in terms of gold, and they have pursued their case with renewed zeal since IMF parities were abolished in 1978.

These bond holders claim that the Swiss franc should be regarded as the least depreciated currency and that each bond holder should therefore receive $258 per $100 of face value.

The BIS said recently that it might make a further approach to the Governments involved in the London Agreement asking them to take "appropriate steps" to resolve the questions over repayment terms arising from the emergence of a floating exchange rate system.

# Finer terms for European bond issues

By Our Financial Staff

THE RECENT softening of European interest rates is reflected in the terms of the latest bond market borrowings by the West German and Swiss Governments.

A DM 1.5bn offered by the German Government over 10 years will carry a coupon of 8¼ per cent which is a full 1¼ points below the coupon attached to a DM 800m issue floated earlier this year.

Coupon on the latest bond auction by the Swiss Confederation has been fined down to 4¾ per cent for a 10-year offering which will raise SwFr 250m or so.

The minimum tender price for the Swiss issue has yet to be fixed. In Germany, the placing banks felt that an issue price of 100.25 may have been pitched a little too high.

# FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month. Closing prices on June 3

| U.S. DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Alcoa of Australia 10 89 | 60 | 91¾ | 92¼ | +0⅛ | −1⅛ | 11.46 |
| Australian Res. 9⅝ 84 | 30 | 94⅝ | 94⅞ | −0⅛ | −1⅛ | 11.33 |
| Beneficial Fin. 9¾ 87 | 100 | 91¾ | 92¼ | 0 | −1⅛ | 11.47 |
| CECA Grad. Rate 12 86 | 100 | 97⅞ | 98⅜ | −0⅛ | −0⅞ | 12.48 |
| CECA 11⅜ 90 | 50 | 98 | 98½ | −0⅛ | −1 | 11.89 |
| CECA 11½ 88 | 100 | 98⅞ | 99⅜ | −0⅛ | −0⅞ | 11.67 |
| Canadian Pacific 9¾ 89 | 50 | 91½ | 92 | −0⅛ | −1⅛ | 11.26 |
| Carter Hawley 9⅜ 86 | 50 | 90 | 92½ | +0⅛ | −1⅛ | 11.59 |
| Continental Grp. 9⅜ 86 | 100 | 92¼ | 92¾ | −0⅛ | −1⅛ | 11.39 |
| Denmark 11⅜ 90 | 100 | 98⅜ | 98⅞ | 0 | 0 | 11.99 |
| Dome Petroleum 13½ 92 | 50 | 101¾ | 102¼ | +0⅛ | −1⅛ | 13.15 |
| EIB 11¾ 92 | 80 | 98⅜ | 98⅞ | −0⅛ | −1⅛ | 11.97 |
| EIB 13⅜ 90 | 100 | 107¼ | 107¾ | +0⅛ | −1 | 12.41 |
| Eksportfinans 11¼ 87 | 50 | 98⅝ | 99⅛ | +0⅛ | −0⅜ | 11.44 |
| Export Dv. Cpn. 9⅝ 84 | 150 | 95¼ | 95⅞ | −0⅛ | −0⅜ | 11.07 |
| Export Dv. Cpn. 12⅝ 87 | 100 | 104⅞ | 105⅜ | 0 | −1 | 11.63 |
| European Comm. 11 85 | 75 | 96 | 96½ | −0⅛ | −0⅛ | 11.53 |
| Federal Dev. Bk. 12¼ 85 | 75 | 102⅞ | 103⅜ | 0 | −0⅛ | 11.38 |
| Ford O/S Fin. 12⅝ 85 | 250 | 100¼ | 100¾ | −0⅛ | −0⅛ | 12.51 |
| George Weston 13½ 87 | 30 | †100⅜ | 100⅞ | −0⅛ | −0⅛ | 13.36 |
| GTE Finance 9⅜ 89 | 55 | 86⅜ | 87¼ | +0⅛ | −0⅛ | 12.19 |
| GMAC 9⅝ 86 | 100 | 91⅜ | 91⅞ | +0⅛ | −1⅛ | 11.23 |
| GMAC O/S Fin. 11 84 | 100 | 98⅜ | 98⅞ | +0⅛ | −1⅛ | 11.40 |
| GMAC O/S Fin. 13⅜ 85 | 100 | 105⅛ | 105⅝ | +0⅛ | −0⅞ | 11.84 |
| Goodyear O/S 12½ 87 | 75 | 97⅜ | 98⅛ | 0 | 0 | 12.95 |
| ICI Fin. Ned. 11 83 | 100 | 99⅝ | 100⅛ | +0⅛ | +0⅛ | 11.05 |
| Kennecott Int. 9½ 86 | 100 | 85⅞ | 86⅜ | 0 | −1⅛ | 12.98 |
| McGraw 13½ 85 | 75 | 100⅛ | 100⅝ | −0⅛ | −0⅞ | 13.37 |
| Michelin 10 94 | 125 | 87 | 87½ | −0⅛ | −1⅛ | 11.89 |
| Nat. Des. Telecm. 9½ 86 | 100 | 92⅛ | 92⅝ | 0 | −1⅛ | 11.31 |
| New Brunswick 9⅜ 84 | 75 | 87 | 87½ | +0⅛ | −0⅛ | 11.64 |
| Newfoundland 10 94 | 50 | 89⅜ | 89⅞ | +0⅛ | −1⅛ | 11.52 |
| Norway 9½ 84 | 150 | [illegible] | [illegible] | [illegible] | −0⅞ | 10.92 |
| Norwest Ind. 13⅜ 87 | 50 | 98⅝ | 99⅛ | −0⅛ | +1⅛ | 13.75 |
| Nova Scotia Pwr. 9⅜ 89 | 50 | 90⅝ | 91⅛ | 0 | −0⅛ | 11.43 |
| Sears Roebuck 9 82 | 150 | 96⅝ | 97⅛ | +0⅛ | −1⅛ | 11.05 |
| SNCF 12½ 85 | 50 | [illegible] | [illegible] | [illegible] | −0⅛ | 11.30 |
| Statoil 9⅝ 89 | 100 | 91 | 91½ | +0⅛ | −0⅛ | 11.19 |
| Swed. Ex. Cred. 12½ 85 | 40 | 101⅞ | 102⅜ | 0 | −0⅛ | 11.92 |
| Sweden 9⅜ 89 | 100 | 91¼ | 91¾ | +0⅛ | −1⅛ | 11.30 |
| Sweden 9⅜ 84 | 100 | 95⅜ | 95⅞ | −0⅛ | −1⅛ | 11.08 |
| Warner-Lambert 9 84 | 100 | [illegible] | 94½ | +0⅛ | −1⅛ | 10.81 |

Average price changes... On Day 0 on Week −0⅞

| DEUTSCHE MARK STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Asian Dev. Bank 10 90 | 200 | 108 | 108½ | −0⅛ | −0⅛ | 8.72 |
| Australia 8⅞ 90 | 250 | 100⅝ | 101⅛ | −0⅛ | +0⅛ | 8.00 |
| BFCE 7⅜ 87 | 100 | 98⅞ | 99⅜ | +0⅛ | −0⅛ | 7.99 |
| BFCE 8⅛ 95 | 100 | 97⅞ | 98⅜ | −0⅛ | −0⅛ | 8.33 |
| Brazil 8 87 | 150 | 95⅛ | 95⅞ | −0⅛ | +2 | 8.87 |
| CECA 7 91 | 150 | 91⅞ | 92⅜ | +0⅛ | 0 | 8.17 |
| Council of Eur. 7⅞ 89 | 100 | 93⅞ | 94⅜ | −0½ | +0⅛ | 8.28 |
| Denmark 7⅞ 86 | 100 | †97⅞ | 98⅜ | 0 | +0⅛ | 8.37 |
| Denmark 8⅜ 92 | 100 | †98 | 99 | 0 | +0⅛ | 8.45 |
| EEC 7⅞ 94 | 225 | 97⅜ | 97⅞ | −0⅛ | +0⅛ | 8.15 |
| EIB 7½ 89 | 200 | 96 | 96½ | −0⅛ | +1⅛ | 8.08 |
| Finland Rep. of 8 88 | 150 | 97⅜ | 98⅛ | −0⅛ | −0⅛ | 8.45 |
| Kobe, City of 7½ 89 | 150 | 95⅝ | 96⅛ | −0⅛ | +0⅛ | 7.77 |
| Neder. Gasunie 8 86 | 100 | 101⅞ | 102⅜ | −1 | +1 | 7.63 |
| New Zealand 7⅞ 87 | 200 | †95 | 95½ | −0½ | −0⅛ | 8.00 |
| Norway 7½ 85 | 250 | [illegible] | 99½ | −0½ | −0⅛ | 7.82 |
| OKB 7⅞ 89 | 100 | 94⅞ | 95⅜ | −0⅛ | +0⅛ | 8.15 |
| Oslo, City of 8⅞ 90 | 80 | 101⅛ | 101⅝ | +0⅛ | 0 | 8.51 |
| Sweden 9⅜ 87 | 200 | †105⅞ | 106⅜ | −0½ | +0⅞ | 8.64 |
| World Bank 7⅞ 91 | 400 | 96⅞ | 97⅜ | +0⅛ | +0⅞ | 8.19 |
| World Bank 7⅞ 90 | 250 | 97⅜ | 97⅞ | −0⅛ | +0⅞ | 8.23 |
| World Bank 10 88 | 150 | 106⅞ | 107⅜ | −0⅛ | −1½ | 8.44 |
| World Bank 10 90 | 200 | 108⅞ | 109⅜ | −0⅛ | −1 | 8.68 |

Average price changes... On Day −0⅛ on Week +0⅞

| SWISS FRANC STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Argentina 6½ 89 | 80 | 93⅛ | 93⅝ | +0⅛ | +1½ | 6.46 |
| Aumar 5 89 | 60 | †93 | 93½ | −0⅛ | 0 | 5.98 |
| Australia 3⅜ 89 | 250 | 90⅜ | 90⅞ | +0⅛ | +0⅛ | 4.96 |
| Bergen, City of 4⅜ 91 | 40 | 93⅜ | 93⅞ | 0 | +2⅛ | 5.55 |
| BNDE 5 89 | 75 | 86⅞ | 87⅜ | +0⅛ | 0 | 6.97 |
| BMW Overseas 4⅜ 91 | 100 | 92⅛ | 92⅝ | +0⅛ | +0½ | 5.17 |
| Buhrm'n-Tetterode 7 90 | 40 | 104⅞ | 105⅜ | 0 | +0⅛ | 6.29 |
| Caisse Nat. Tele. 4⅜ 88 | 100 | 94 | 94½ | +0⅛ | +1⅛ | 5.17 |
| CCCE 5⅜ 90 | 100 | 103 | 103½ | 0 | +2 | 5.31 |
| Copenhagen 4½ 91 | 60 | [illegible] | [illegible] | +0⅛ | +2⅛ | 5.72 |
| Council of Eur. 5 89 | 100 | 95 | 95½ | 0 | +0⅛ | 5.66 |
| EIB 4½ 91 | 100 | 92 | 92½ | 0 | +0½ | 5.45 |
| EIB 4⅜ 94 | 100 | 87 | 87½ | +0⅛ | +0½ | 5.71 |
| Elet. de France 4⅜ 89 | 100 | 94 | 94½ | +0⅛ | +1⅛ | 5.16 |
| GZB 4⅜ 89 | 100 | 92⅞ | 93⅛ | +0⅛ | +2⅛ | 5.23 |
| Hilti 4½ 91 | 35 | 94⅜ | 94⅞ | +1⅛ | +1⅞ | 4.87 |
| Int.-Amer. Dev. 4½ 88 | 100 | 92½ | 93 | 0 | +2⅜ | 5.62 |
| Int.-Amer. Dev. 7 90 | 80 | 106⅛ | 106⅝ | −0⅛ | +1⅛ | [illegible] |
| Jutland Tele. 5½ 90 | 50 | 100⅝ | 101⅛ | −0⅛ | +0⅛ | 5.38 |
| Malaysia 5 89 | 80 | †90 | 90½ | −0⅛ | +1⅛ | 6.39 |
| Nippon Tel. & T. 4⅜ 89 | 100 | 94⅛ | 94⅝ | +0⅛ | +1⅞ | 5.02 |
| Nordic Bank 5 89 | 45 | 98 | 98½ | +1 | 0 | 5.24 |
| Norges Komm. 4⅜ 91 | 100 | 92⅛ | [illegible] | +0⅛ | −0⅛ | 5.20 |
| OKB 4⅜ 91 | 100 | 91 | 91½ | +0⅛ | 1 | 5.42 |
| OKB 6 90 | 100 | 103½ | 104 | +0⅛ | +0⅛ | 5.49 |
| Oslo, City of 4⅜ 91 | 100 | 90⅛ | 90⅝ | [illegible] | +3 | 5.52 |
| Shikoku El. Pwr. 4⅜ 89 | 100 | †94 | 94½ | +0⅛ | 0 | 5.56 |
| Steweag 4⅜ 91 | 60 | †94½ | 95 | +0½ | +1⅛ | 5.39 |
| Voest-Alpine 4⅜ 89 | 90 | 97 | 97½ | +0⅛ | +3½ | 5.14 |
| World Bank 4⅜ 89 | 100 | 95½ | 96 | +1 | +2⅛ | 5.22 |
| World Bank 4⅜ 89 | 150 | 92 | 92½ | 0 | 0 | 5.46 |
| World Bank 4⅜ 91 | 100 | 92⅞ | 93⅜ | +0⅛ | +1 | 5.48 |

Average price changes... [illegible]

| YEN STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Australia 5.6 83 | 30 | 91⅞ | 92⅜ | +0⅛ | +0⅛ | 8.34 |
| Australia 6½ 88 | 20 | 87 | 88 | +0⅛ | +1⅛ | 8.79 |
| EIB 7⅜ 89 | 72 | 92½ | 94½ | +0⅛ | +0⅞ | 8.82 |
| Finland 5.6 83 | 10 | 91 | 92¼ | +0⅛ | +0⅛ | 8.55 |
| Finland 6.8 88 | 10 | 88⅛ | 89⅛ | +0⅛ | +3⅛ | 8.85 |

Average price changes ... On day +0⅛ on week +1⅛

| OTHER STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Bell Canada 10⅜ 86 C$ | 60 | 93⅝ | 94⅛ | −0⅛ | −0⅞ | 12.16 |
| CIBC 13½ 85 C$ | 50 | 102⅝ | 103⅛ | −0⅛ | −1⅛ | 12.60 |
| Cr. Foncier 10⅜ 84 C$ | 30 | †91½ | 92½ | 0 | +1⅛ | 12.86 |
| Fst. Can. Inv. 10 84 C$ | 30 | 93 | 93½ | −0⅛ | −0⅛ | 12.25 |
| GMAC 12 85 C$ | 50 | 97⅝ | 98⅛ | −0⅛ | −0⅛ | 12.59 |
| Quebec 10⅜ 86 C$ | 50 | 92½ | 94½ | 0 | +0½ | 11.83 |
| R. Bk. Canada 10 88 C$ | 40 | 93⅜ | 93⅞ | −0⅛ | +0½ | 11.60 |
| R. Bk. Canada 10 84 C$ | 40 | 87½ | 88 | −0⅛ | −0⅞ | 11.83 |
| Tordom. Cpn. 13½ 85 C$ | 30 | 102⅞ | 103⅜ | −0⅛ | −1⅛ | 12.67 |
| M. Bk. Dnmk. 9 91 EUA | 25 | 95⅜ | 96⅛ | 0 | 0 | 9.61 |
| SOFTE 8⅜ 89 EUA | 40 | 86½ | 87⅜ | 0 | +0½ | 10.60 |
| U. Bk. Nrwy. 9½ 90 EUA | 18 | 97⅜ | 98⅛ | −0⅛ | −0⅛ | 9.84 |
| Algemene Bk. 8⅜ 84 Fl | 75 | 97⅜ | 97⅞ | −0⅛ | −0⅛ | 8.99 |
| Ned. Gasunie 8⅞ 84 Fl | 50 | 98⅞ | 99⅜ | −0⅛ | −0⅛ | 9.01 |
| Ned. Middbk. 8⅜ 84 Fl | 75 | 96 | 96½ | −0½ | −0½ | 9.45 |
| Norway 8⅜ 84 Fl | 100 | 97 | 97½ | −0⅛ | −0⅛ | 9.12 |
| Norway 8⅜ 84 Fl | 100 | 97 | 97½ | −0⅛ | 0 | 9.02 |
| Philips lamps 8⅜ 84 Fl | 75 | 97⅜ | 97⅞ | −0⅛ | +0⅛ | 9.06 |
| Air France 11 84 FFr | 120 | 94⅜ | 95⅜ | 0 | −1⅛ | 12.46 |
| CECA 14½ 86 FFr | 150 | 103½ | 103⅞ | +0⅛ | −1⅛ | 13.32 |
| Euratom 9⅜ 87 FFr | 150 | 84½ | 85 | 0 | 0 | 13.26 |
| Finland 11 84 FFr | 80 | 94⅝ | 95 | −0⅛ | 0 | 12.63 |
| Finland 11½ 89 FFr | 70 | 92 | 92⅛ | 0 | +0⅛ | 12.92 |
| Gaz de France 11 84 FFr | 150 | 94⅝ | 95⅜ | 0 | −0⅞ | 12.45 |
| IBM France 11⅞ 84 FFr | 120 | 96½ | 97⅜ | 0 | −0⅛ | 12.69 |
| Renault 9⅜ 85 FFr | 100 | 85⅜ | 86⅛ | 0 | 0 | 13.81 |
| Saint-Gobain 9⅜ 86 FFr | 130 | 84½ | 85⅜ | 0 | 0 | 13.61 |
| Solvay et Cie 9⅜ 87 FFr | 125 | 82⅛ | 83 | 0 | +0⅛ | 13.81 |
| Beneficial Fin. 14⅜ 90 £ | 20 | 98⅜ | 98⅞ | +0⅛ | +0⅛ | 14.54 |
| Citicorp O/S 13½ 90 £ | 50 | 97⅞ | 98⅜ | +0½ | −0⅛ | 13.85 |
| EIB 11⅛ 91 £ | 25 | 90⅞ | 91½ | −0⅛ | −0⅛ | 13.06 |
| Fin. for Ind. 12½ 89 £ | 30 | 96⅛ | 96⅞ | +0⅛ | −0⅞ | 13.17 |
| Fin. for Ind. 14¼ 88 £ | 20 | 100 | 100⅛ | −0⅛ | −1⅛ | 14.38 |
| Gen. Elec. Co. 12¼ 89 £ | 50 | 97½ | 98¼ | −0⅛ | −0½ | 12.89 |
| Swed. Ex. Cr. 15⅜ 85 £ | 20 | 101⅛ | 101⅝ | −0⅞ | −1⅛ | 14.80 |
| Indonesia 8⅜ 91 KD | 7 | †93 | 93½ | 0 | 0 | 9.77 |
| Mitsubishi 7½ 84 KD | 10 | †92⅛ | 93 | 0 | +1 | 9.72 |
| Norges Kom. 7½ 89 KD | 12 | †93⅛ | 93⅞ | 0 | 0 | 8.55 |
| Occidental 8⅜ 91 KD | 7 | †90⅛ | 90⅝ | 0 | 0 | 9.69 |
| Akzo 9⅜ 87 LuxFr | 500 | 93⅜ | 94½ | 0 | +1 | 10.43 |
| Euratom 8 87 LuxFr | 500 | 86⅛ | 87⅛ | +0⅛ | −1½ | 10.87 |
| Euratom 9⅜ 88 LuxFr | 500 | 96⅞ | 97⅜ | +0⅛ | −1 | 10.24 |
| EIB 9⅜ 88 LuxFr | 600 | 96⅞ | 97⅞ | +0⅛ | −0⅛ | 10.24 |
| Volvo 9⅜ 87 LuxFr | 500 | 96⅞ | 97⅜ | 0 | −1⅛ | 10.30 |

| FLOATING RATE NOTES | Spread | Bid | Offer | C.dte | C.cpn | C.yld |
|---|---|---|---|---|---|---|
| Allied Irish Bk. 5⅜ 87 | 0⅛ | 97⅜ | 98⅛ | 2/7 | 15⅛ | 15.45 |
| Banco di Roma Int. 6 87 | 0⅛ | 99⅜ | 100⅛ | 26/10 | 15.31 | 15.31 |
| Bank of Ireland 5⅜ 89 | †0⅛ | 97⅞ | 98⅛ | 21/8 | 11.81 | 12.04 |
| Bank of Tokyo 5⅜ 89 | †0⅛ | 97⅜ | 98⅛ | 25/10 | 16.56 | 16.90 |
| Barclays O/S Inv. 5 90 | 0⅛ | 97⅜ | 98⅛ | 13/6 | 14⅛ | 14.54 |
| Bergen Bk. A/S 6 89 | †0⅛ | 96⅜ | 96⅞ | 29/8 | 10 | 10.35 |
| Bque. Indo Suez 5⅜ 89 | 0⅛ | 98⅜ | 98⅞ | 11/7 | 14.69 | 14.86 |
| Citicorp O/S F. 6 94 | †0⅛ | 98⅛ | 98⅝ | 8/8 | 18.81 | 19.10 |
| Citicorp O/S F. 83 | §†0 | 98⅜ | 99⅛ | 23/8 | 10.19 | 10.30 |
| Citicorp O/S F. 84 | †0 | 98⅜ | 98⅞ | 30/8 | 9.81 | 9.96 |
| C. Itoh 5⅜ 87 | 0⅛ | 100⅜ | 101⅛ | 18/9 | 19.44 | 19.25 |
| Co-operative Bk. 6 86 | 0⅛ | 97⅜ | 97⅞ | 15/11 | 11.44 | 11.72 |
| Creditanstalt 5⅜ 91 | §†0⅛ | 97⅞ | 98⅜ | 14/8 | 18.44 | 18.84 |
| CNT 5⅜ 86 | §0⅛ | 101½ | 101⅞ | 16/10 | 18⅛ | 17.88 |
| GZB 5½ 89 | †0⅛ | 98½ | 99 | 1/8 | 15⅛ | 15.44 |
| Jugobanka 8 89 | 0⅛ | 98 | 99 | 23/11 | 11⅞ | 12.77 |
| Ind. Bank Japan 5⅜ 87 | 0⅛ | 100⅞ | 101⅛ | 15/10 | 19⅛ | 18.54 |
| LTCB Japan 5⅜ 86 | 0⅛ | 97⅜ | 98⅛ | 13/6 | 14⅞ | 14.64 |
| LTCB Japan 5½ 89 | 0⅛ | 97⅜ | 97⅞ | 7/8 | 14.19 | 14.55 |
| Mfrs. Han. O/S 5⅜ 94 | †0⅛ | 97⅜ | 98⅛ | 31/8 | 9⅞ | 10.09 |
| Midland Intl. Fin. 5 89 | 0⅛ | 99⅜ | 100⅛ | 20/8 | 15 | 15.02 |
| Midland Intl. Fin. 5⅜ 82 | 0⅛ | 97⅛ | 98⅛ | 5/8 | 5⅛ | 5.35 |
| National Fin. 6⅜ 86 | 0⅛ | 98⅜ | 98⅞ | 25/7 | 14.69 | 14.89 |
| Nat. West. 5⅜ 94 | §0⅛ | 101⅛ | 102⅛ | 11/10 | 18⅛ | 18.28 |
| Nippon Credit 6½ 88 | 0⅛ | 97⅜ | 98⅛ | 12/7 | 14.47 | 14.75 |
| Nippon Credit 5⅜ 87 | †0⅛ | 97⅜ | 97⅞ | 6/8 | 14⅛ | 14.72 |
| Royal Bk. Scot. 5⅜ 94 | §†0⅛ | 99⅛ | 99⅝ | 11/7 | 19⅛ | 19.62 |
| Soc. C. de Bque. 6½ 87 | 0⅛ | 101⅛ | 102⅛ | 3/10 | 20.06 | 19.89 |
| Sogenal 5⅜ 89 | §0⅛ | 98⅛ | 98⅝ | 13/7 | 14.44 | 14.68 |
| Standard Chart. 5⅜ 90 | 0⅛ | 100⅜ | 101⅛ | 8/8 | 17⅛ | 17.08 |
| Sweden 5⅜ 91 | †0⅛ | 97⅜ | 97⅞ | 18/10 | 18⅞ | 19.10 |
| Williams & Glyn 5⅜ 91 | 0⅛ | 100⅜ | 101⅛ | 14/8 | 18½ | 18.32 |
| Bq. E. d'Alg. 4⅜ 86 SF | 0⅛ | †95 | 96 | 18/8 | 6.69 | 7.82 |

Average price changes... [illegible]

| CONVERTIBLE BONDS | Cnv. date | Cnv. price | Bid | Offer | Chg. day | Prem |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

* No information available—previous day's price. † Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.



هكذا من الأجل

# INTERNATIONAL COMPANIES and FINANCE

BORROWER PROFILE — SWEDEN

## Exploiting the bankers' search for quality

BY PETER MONTAGNON

SWEDEN STANDS out among major international debtors as one which has not been afraid to get down to some brisk additional borrowing in 1980.

While many countries have been put off by high interest rates around the world, Sweden is estimated by international bankers to have already raised roughly half its $7bn gross public sector foreign borrowing requirement for 1980.

This does not include two major financing operations currently under way for the kingdom. The first is a $200m issue of notes and bonds in the Yankee market for which conditions will be set early next week. The second is a $350m syndicated Eurocredit for which Chase Manhattan is acting as agent.

Terms on the Eurocredit underline the traditional high standing of Sweden as a borrowing country. The margins have been set at ⅜ per cent over Libor for the first four years, rising to ½ per cent thereafter.

Notwithstanding the labour unrest which paralysed the country in early May, Sweden has thus obtained terms roughly similar to those on its last $800m credit raised in the auutmn of 1979. This was a 10-year credit and a ⅜ margin was set for the first three years rising to ½ per cent for the remaining seven.

Sweden is, of course, able to benefit from the "flight into quality" that has characterised the international credit markets in recent months. Yet there are some clouds on Sweden's horizon as the prospectus for the Yankee issue shows.

With the rise in world oil prices and the country's traditionally high per capita energy consumption, the oil import bill is expected to reach some SKr 27bn to SKr 28bn ($6.4bn to $6.6bn) this year. This will be more than double the 1978 figure of SKr 13bn and well above last year's SKr 23bn.

The higher oil bill is expected to push the current account balance of payments deficit to some SKr 18bn from last year's SKr 10.8bn and bankers expect the deficit to be somewhat higher still in 1981.

Meanwhile, inflation is rising. The Government estimates that consumer prices will increase by some 12.5 per cent this year following the May wage agreements in both the public and private sectors which will push average wages up by some 11 per cent this year. In 1979, consumer prices rose only 7 per cent.

A third major problem is the size of the Government's budget deficit. In the 1980/81 fiscal year this is projected at SKr 57.88bn on outgoings of SKr 206.34bn and receipts of SKr 148.46bn compared with an estimated shortfall of SKr 48.6bn in the 1979/80 fiscal year which ends on June 30.

These figures point to a country which is living beyond its means. Such a notion is further supported by the decline in foreign exchange reserves which fell to SKr 12bn at end April from SKr 12.1bn at the end of 1979 and SKr 15.6bn in December 1978.

> **Sweden could be said to be living beyond its means but at the same time the nation is acutely conscious of the need to maintain its credit standing**

Moreover, Sweden already has a very high level of per capita foreign debt. Latest Bank for International Settlements figures show its total borrowings from international banks at the end of last year stood at $11.37bn. With a population of 8.3m this gives gross per capita commercial debt of $1,370. The corresponding figure for Brazil is $307 on total bank borrowings of $36.86bn and a population of 120m.

The question thus arises as to whether Sweden is on the slippery slope down which Denmark is already said to be sliding into what Denmark's central bank governor has described as an "economic abyss." The Government does, however, seem to be aware of this danger. It has already introduced proposals to curb budget expenditure in 1980-81 and further restrictive budgetary measures are expected to be announced later this year.

At the same time the National Debt Office is acutely conscious of the need to maintain the country's credit standing. It is known in the banking community as a hard bargainer which usually manages to obtain very favourable terms for national borrowings.

One reason for its success is the diversity of the markets tapped. Besides the Yankee and syndicated credit markets, Sweden has also this year tapped the Eurodollar bond market as well as the Swiss and German capital markets and the Samurai bond market in Japan. A large amount of borrowing is conducted in private placement form with details rarely reaching the Press.

Whether Sweden will continue to be successful as a top rated borrower will depend at least in part on its efforts at structural reform of the economy. This means in essence either reducing imports and energy consumption or expanding the industrial base to sustain them at their present levels.

The Yankee prospectus shows that the kingdom expects to borrow in its own name some SKr 13bn to SKr 17bn this year, of which about SKr 6bn was completed in the first four months. This brought the Government's own external debt to SKr 26.28bn.

In addition, State guaranteed external debt at the end of last year amounted to SKr 10.16bn.

As far as amortisation and interest payments are concerned there is a large hump in 1984 when Sweden faces debt service charges on its own external debt of SKr 6.2bn. Thereafter there is, on the basis of end-1979 figures, a more or less uninterrupted decline through the rest of the decade.

## Modest growth at Spanish banks

By Robert Graham in Madrid

SPAIN'S TWO biggest commercial banks, Banesto and Central, have shown a modest growth in profits for 1979.

Banesto's pre-tax profits were up 5 per cent to Pta 9.9bn ($141m) while Central's pre-tax profits rose 2.4 per cent to Pta 8.2bn. After provision for tax, Banesto declared profits of Pta 7.5bn, up 7 per cent, and Central profits of Pta 6bn, up 4 per cent.

In both instances the tax provision was marginally lower than the previous year, mainly the result of changes in tax *legislation*

Growth in profits would have been more sluggish but for income accruing from higher interest rates and from commissions, especially guarantees. Banesto's income from commissions and other bank charges was up 104 per cent, and that of Central by 138 per cent.

Both banks also reflect the major impact in 1979 of Bank of Spain regulations instituting stricter accounting provision for portfolio investment and doubtful debts. Banesto has set aside Pta 8.4bn to cover doubtful debts, an increase of 164 per cent, plus a further Pta 1.8bn for portfolio writedowns. Central has increased its provision for doubtful debts twofold to Pta 4.5bn.

## Dividend possible after sharp recovery at Fokker

BY CHARLES BATCHELOR IN AMSTERDAM

FOKKER, the Dutch aerospace group, expects sharply higher aircraft sales this year, though its profit forecast remains modest. The company said yesterday that it did not rule out paying a dividend this year for the first time since 1975.

The company, which is now operating independently following the completion of the split with its West German partner, VFW, has already sold 24 F27s and F28s compared with 27 in the whole of 1979. It has set itself a sales target of 90 aircraft in 1979-80.

Fokker made a net profit of Fl 4.8m ($2.4m) last year on sales of Fl 965m ($483m). This compared with profit of Fl 200,000 in 1978 on sales of Fl 822m. It achieved profits of Fl 3.92 per share and a return on assets of 5 per cent.

The board indicated that the company would make a net profit of between Fl 5m and Fl 10m in 1980. Profit will be at least on the level of 1979 but Fokker does not expect to make any payments to VFW as part of the "divorce settlement" recently agreed. Such payments only become necessary if profit exceeds Fl 10m.

Uncertainties surrounding prospects for this year are currency fluctuations, rising fuel prices, the purchasing policies of airlines and international political developments.

Fokker expects to make investment commitments totalling Fl 50m this year and foresees that spending will continue at a high level for the next few years. This is needed to achieve the necessary expansion of its business and to make good investments put off in recent years because of the difficult period the company went through. Fixed asset investments were Fl 18m last year.

Fokker plans to increase production levels of its turbo prop F27. Despite an increase in demand for the F28 a decision on raising production will be left for the end of the year.

The proposed F29 jet is taking more definite shape and is expected to be a 132 seater powered by either a Rolls-Royce RB432 engine or the General Electric/Snecma CFM56.

## Wereldhave reveals plans to expand U.S. offshoot

BY OUR AMSTERDAM STAFF

WEST WORLD Holdings, the real estate investment trust being formed in the U.S. by the Dutch property group Wereldhave, could have an ultimate portfolio of $500m.

Something like two-fifths of this total would be financed from Wereldhave's own resources, the company says. In an initial injection of new finance, up to $65m is being raised by a placing of West World shares in Amsterdam, starting tomorrow.

West World is to be managed by Interned Services, a joint company set up by Wereldhave and its U.S. partner, Westland Utrecht Hypotheekbank. West World will handle all Wereldhave's U.S. property operations.

The new shares in West World will not have a stock market listing but the placing banks will "maintain a market." By 1981, a return of between 6 per cent and 7 per cent is expected on the shares

Wereldhave's share in the new company will be flexible but it will not fall below 35 per cent allowing the company to maintain a leading position in its management, says Mr. Willem Van Dijk, the company's chairman. Westworld will invest solely in rented office buildings in the large U.S. cities.

The share placing, which will be between 5,000 and 10,000 shares at $10,000 each, will be handled by Pierson Heldring and Pierson, Nederlansche Middenstandsbank and stockbrokers, Kempen en Co.

Private investors will be offered up to 2,000 shares with preference being given to existing shareholders in Wereldhave. Wereldhave itself will take up at least 3,500 shares of this issue and will ultimately increase its holding to 7,000.

## Sprecher moves into the red

BY JOHN WICKS IN ZURICH

SWISS electrical engineering group, Sprecher and Schuh, has dipped into the red for 1979 and will not pay a dividend.

Sales fell by more than 5 per cent to SwFr 454m and the company ran up a loss of SwFr 4m ($2.4m) compared to net profits in 1978 of SwFr 3m.

This year new orders and sales are moving up but Sprecher suspects that its trading background will not improve sufficiently to lift it out of losses. Shareholders are told not to expect an early return to dividends.

The sharp move into losses is attributed by the company to the failure to reach turnover and production targets, while it was not possible to realise a hoped-for improvement in profit margins with new orders.

Sprecher has launched a programme aimed at improving profitability. It sees a rise in sales in 1980 following a rise in new-order value by 1 per cent in 1979 to SwFrs 478m ($288m) and by as much as 13 per cent in an annual comparison for the first quarter of this year.

● Winterthur, the Swiss insurance company, is raising its dividend from SwFr 43 a share to SwFr 46 for 1979. Profits rose by SwFr 6m to SwFr 60.4m ($36.6m) with an improved underwriting result made possible by a fall in claims. Investment earnings were also "satisfactory."

The affiliated Winterthur Life Insurance Company is to pay SwFr 154.5m ($93.63m) into the insured's profit-sharing fund, which thus rises to SwFr 333m.

Elsewhere in the Swiss insurance industry Swiss Re-insurance expects its re-insurance premium income to have risen by some 10 per cent for 1979. In a letter to shareholders, the company compares this estimated growth rate with a 1978 rise of 7 per cent and attributes the improvement primarily to more favourable exchange rates.

## Industrie Buitoni sales rise

PERUGIA — Industrie Buitoni Perugina broke even for the second straight year in 1979 after setting aside L6.4bn ($7.6m) for depreciation, against L3.3bn previously. The company, one of the largest Italian food and confectionery groups, will not pay a dividend for the fourth year running.

Consolidated group turnover rose 18.6 per cent to L488bn. Exports rose 23.6 per cent to L41.2bn while turnover of foreign subsidiaries rose 22 per cent to L227bn. AP-DJ

## Strong advance by Krupp Atlas

By Jonathan Carr in Bonn

BREMEN-BASED Krupp Atlas-Elektronik, part of the diversified Krupp group, reports sales and orders sharply up in 1979 and buoyant business continuing into the first four months of this year.

All three main aspects of company activity, marine electronics, process data systems and defence material, are said to have contributed

Sales last year rose by nearly one-third to DM 156m, incoming orders were up by 42 per cent to DM 331m, and orders in hand at the end of December totalled DM 508m, a rise of 52 per cent against a year earlier.

The company plans DM 24m investments this year after DM 26m in 1979. The labour force rose by about 300 last year to more than 2,000.

## French mail order group increases payment

BY TERRY DODSWORTH IN PARIS

LA REDOUTE, the French mail order company, has raised 1979 net profits from FFr 39.1m to FFr 44.9m, after cutting out a number of loss-making foreign operations. Dividend is raised by 15 per cent to FFr 25 a share.

The improvement was based on a sales increase of almost 16 per cent from FFr 3.9bn to FFr 4.5bn. But the main factor in the turnaround was undoubtedly the group's retreat from Belgium, where it sold its subsidiary, Sartha, and from Spain, where its partner, Postalia, bought up its 50 per cent stake in the Venca Group.

The liquidation of these interests has involved some special provisions, La Redoute says.

Parent company profits amounted to FFr 49.8m against FFr 44.5m in 1978, while cash flow rose to FFr 82.9m compared with FFr 79.2m.

● National Westminster Bank of the UK has sold an indirect stake taken six years ago in Credit du Nord, a bank belonging to the French Paribas group. In exchange it has taken a 2 per cent shareholding in Paribas itself.

NatWest's shareholding in the Paribas group holding company, Compagnie Financiere de Paris et des Pays-Bas, made up of blocks of shares acquired with the help of the French concern, is valued at about FFr 70m ($16.7m) and roughly equivalent to the value of its disposed 20 per cent stake in Union Financiere et Bancaire (UFIBA), the company through which Parisbas controls Credit du Nord, a commercial bank based in Lille. NatWest is retaining a separate 5 per cent stake in Credit du Nord.

INDIAN NEWS

# Setback for Hindustan Aluminium

BY R. C. MURTHY IN BOMBAY

HINDUSTAN ALUMINIUM Corporation (Hindalco) has reported a 6.3 per cent decline in pre-tax profits for 1979 to Rs 105.8m ($13.48m) from Rs 112.5m a year earlier. Profits fell despite a 30.2 per cent rise in sales (net of excise duty) to Rs 822.8m ($105m) from Rs 631.9m in 1978.

Hindalco, a Birla company, is one of the two private sector aluminium producing companies in the country. New aluminium plants are allowed only in public sector. The lower profit margin resulted from an increase in the cost of production caused by higher prices of inputs, while the price of aluminium, which is controlled by the Government, was pegged at an "uneconomic" level. Having failed to persuade the Government to set a proper price, Hindalco has applied to the Calcutta High Court for a fixation of the price at a "reasonable level."

After providing for depreciation and other provisions, net profit registered an 11.84 per cent decline to Rs 30.5m in 1979 from Rs 34.6m. The dividend, however, is maintained at 12.5 per cent.

Aluminium ingot output rose by 18 per cent to 77,810 tonnes from 65,979 tonnes. The company has an installed capacity of 100,000 tonnes but could not utilise it fully because of a reduced power supply from the Government-owned power generation and distribution system. Hindalco's own generator could only partially fill the gap. Construction work on two additional units of 67.5 MW each, imported from Poland, is in progress and will be ready by 1982.

Hindalco has applied for Government permission to expand its installed capacity to 120,000 tonnes of primary metal, for which the company would have to find Rs 1m from internal sources. The company has also sought Government permission to expand its fabrication plant.

The company is negotiating with Kaiser Aluminum and the Government of India revised terms for the disposal of Kaiser's shareholding in the company. Kaiser, which has expressed a desire to pull out of India, is prepared to abide by the Government's requirements.

* * *

LAKSHMI MACHINE WORKS, a major textile machinery concern based at Coimbatore in South India, has reported a 17 per cent rise in its turnover to Rs 292.85m ($25.8m) in 1979 from Rs 250.33m a year earlier, and a 26 per cent rise in gross profits to Rs 38.34m ($4.9m) from Rs 30.45m. The growth rate would have been faster but for the cuts ranging from 40 per cent in the supply of electric power, generation and distribution of which is controlled by the Government.

The company's order book is full for the next five years because of demand for textile machinery produced in collaboration with Rieter of Switzerland, and the backing of its own research and development laboratories. It produces, among others, ring frames, carding engines, draw and speed frames, and combers. The buoyancy in the textile industry has resulted in an investment boom in the industry. This has been spurred by the Government's scheme to give loans at the concessionary interest rate of 7.5 per cent for the modernisation and rehabilitation of the textile mills.

Profit margins have improved considerably for Lakshmi Machine. Profit after tax and depreciation registered an increase of 32.2 per cent to Rs 24.65m, from Rs 18.66m. The company proposes to modernise its foundry and raise capacity from 6,000 tonnes to 7,500 tonnes per annum.



# Record earnings for MEA in 1979

By Robert Cockburn

MIDDLE EAST AIRLINES (MEA) the Lebanese national carrier has announced record operating profits of more than L£51m ($14.9m) for 1979 compared with the profit forecast made in early 1979 of only L£1m.

The MEA chairman, Asad Nasr, said that the success resulted largely from the relative stability of Lebanon in 1979 compared with the heavy fighting which plagued Beirut and the rest of the country in 1978.

In that year, MEA lost L£6m from an operation which grossed L£527.7m.

But despite rising fuel costs, the fleet of ageing Boeing 707s and 720s, uneconomical to run by modern standards, netted a profit of L£51.1m, from a gross revenue of L£702.2m.

Passenger revenues increased to more than L£400m, while freight revenue jumped by almost L£10m to more than L£65m in 1979.

"The year 1979 provides a most gratifying demonstration of the privileged position which the travelling public had accorded MEA," Nasr told the AGM in Beirut, "this is well demonstrated by the resulting profits.

Nasr said before the meeting that profits for 1980 are expected to be in the region of L£ 30m. Profits for the period from mid-February to April of this year had already dropped by 7 to 8 per cent because of instability in the region as a whole. But he measures the success of the airline during periods of upheaval. "Our ability to react under adverse conditions is far better for us than our ability under favourable conditions."

# Advance at All Nippon Airways

By Charles Smith, Far East Editor, in Tokyo

ALL NIPPON Airways, the leading domestic Japanese air carrier, reported a 95.3 per cent cut in operating profits to Y443m ($2m). After-tax profits were down by 47.9 per cent to Y1.93bn.

Profits fell despite a substantial rise in turnover of 15.9 per cent to Y307.8bn but the company was unable to absorb sharp rises in operating costs.

An increase in domestic air fares which All Nippon Airways requested last year took effect only at the beginning of March 1980 and thus had little impact on the year's results.

ANA expects improved results in the coming year on the assumption that fuel prices will stabilise while domestic air fares will be higher. ANA forecasts turnover for the year at Y421.5bn. Operating and net profits are estimated at Y7.6bn and Y3.8bn, respectively.

# Domestic car sales boost profits at Suzuki Motor

BY YOKO SHIBATA IN TOKYO

SUZUKI MOTOR, Japan's leading manufacturer of motorcycles and sub-compact cars has reported buoyant profits for fiscal year ended March, following a sharp rise in domestic sales of subcompact cars triggered by the cut in Iranian oil supplies, and with exchange gains stemming from the yen's depreciation.

Suzuki's operating profits advanced by 44.2 per cent to a record Y10.86bn ($48.6m) and net profits reached Y4bn, up 16 per cent. Profits per share increased to Y16.68 from Y14.38.

Sales rose by 27.1 per cent to Y345.1bn. The company sold 1.2m motorcycles, of which exports accounted for 68 per cent, and subcompact car sales reached 367,368 units, of which domestic sales accounted for 85 per cent.

Motorcycle exports increased in value by 8.3 per cent to Y10.6bn and subcompact car exports gained by 49 per cent to Y26.2bn.

Earnings suffered from an increase in depreciation; from Y6.3bn of cost rises; and from an increase in labour costs amounting to Y2.4bn. However these negative factors were offset by the sales increase; by Y9.3bn of exchange gains resulting from the yen's depreciation; and by Y1.2bn of benefits from rationalisation measures.

For the current fiscal year, further strong domestic demand for subcompact cars is expected following to the complete suspension of Iranian oil exports to Japan.

## JAPANESE COMPANY RESULTS FOR YEAR TO MARCH 31

| Company | Business | Net profits 1979 Ybn | Net profits 1978 Ybn | Sales 1979 Ybn | Sales 1978 Ybn |
|---|---|---|---|---|---|
| Mitsubishi Chemical Inds. | Chemicals | 9.48 | 2.00 | 914.98 | 730.71 |
| Misui Toatsu Chemicals | Chemicals | 9.06 | 1.13 | 405.87 | 394.44 |
| Takeda Chemical Inds. | Pharmaceuticals | 16.43 | 13.69 | 420.32 | 373.01 |
| C. Itoh and Co. | Trading | 2.73 | 2.23 | 8,860.00 | 6,560.00 |
| Marubeni Corporation | Trading | 9.56 | 4.41 | 8,390.00 | 6,270.00 |
| Nissho-Iawai Company | Trading | 4.37 | 2.95 | 5,770.00 | 4,180.00 |
| Ohbayashi-Gumi | Construction | 4.800 | 4.29 | 543.44 | 482.28 |
| Sekisui Prefab Homes | Construction | 12.84 | 11.88 | 372.11 | 306.57 |
| Taisei Corporation | Construction | 8.64 | 7.69 | 652.75 | 654.83 |
| Mitsubishi Estate | Property | 12.94 | 10.58 | 125.60 | 112.47 |
| Mitsui Real Estate Devt. | Property | 4.68 | 4.24 | 150.33 | 130.31 |
| Toyko Electric Power | Electricity and gas | −33.52* | 82.57 | 2,040.00 | 1,820.00 |
| Maruzen Oil | Oil production | 0.14 | 0.72 | 1,440.00 | 879.83 |
| Fuji Heavy Industries | Heavy indus. & shipbuild'g. | 5.36 | 4.68 | 408.91 | 327.42 |

* Loss









## COMPANY NOTICES

**NOTICE**

To Noteholders of

U.S. $75,000,000

Federal Business Development Bank $12\frac{1}{4}$% Notes due May 15th, 1985.

Please be advised the Exchange Date for this issue will be

**August 20th, 1980**

NOTICE TO HOLDERS OF BONDS OF THE ISSUE $7\frac{1}{2}$% 1973/1991 OF FFr. 150,000,000 MADE BY THE EUROPEAN COAL AND STEEL COMMUNITY

The Commission of the European Communities announces that the annual instalment of bonds amounting to FFr. 2,500,000 has been purchased for redemption on July 1, 1980.

NOTICE TO HOLDERS OF BONDS OF THE ISSUE 7% 1973/1980 OF FFr. 50,000,000 MADE BY THE EUROPEAN COAL AND STEEL COMMUNITY

The following Bonds which have been drawn for redemption on July 1, 1979, have not yet been presented for payment: 167 to 171 incl., 287, 296, 335, 346 and 347, 377, 381 to 383 incl., 423 to 425 incl., 427, 440, 508, 512 to 515 incl., 525 to 526, 569 to 574 incl., 577 to 587 incl., 589, 597 to 599 incl., 603, 611 to 617 incl., 643 to 645 incl., 668 to 671 incl., 703 to 705 incl., 721 and 722, 731, 733, 752 to 755 incl., 758 to 759, 766, 786, 801, 842 and 843, 898, 1016 to 1020 incl., 1057, 1079 to 1085, incl., 1088.

ENERGY INTERNATIONAL N.V. (Incorporated with Limited Liability in the Netherlands Antilles)

Shareholders in the Fund are convened to attend the Annual General Meeting of shareholders to be held on Monday 30th June, 1980 at 10.00 a.m. at the registered office of the Fund at Handelskade 24, Willemstad, Curacao, Netherlands Antilles.

The items on the agenda are:

Report and Accounts and proposal of a dividend of $0.40 for the business year ended 31st March, 1980.

Election of the Members of the Board of Management.

Amendment of the Articles to increase the authorized share capital from US$3,500,000 to US$4,500,000, divided into 3,500,000 Class "A" which may be issued and transferred to any other than U.S. investors and 1,000,000 shares Class "B" which may only be issued and transferred to certain U.S. investors; extend the period from 3 months to 4 months after end of financial year during which A.G.M. must be held and financial statements distributed to shareholders; clarify but not materially change certain provisions of the Articles of Incorporation.

In order to attend the Meeting in person or by proxy and to have their votes registered at the Meeting, holders of bearer shares must deposit their share certificates (or a deposit receipt for the share certificates) mentioning their names, addresses and nationalities at the registered office of the Fund not later than 23rd June, 1980.

By order of the Board of Management

Curacao,
4th June, 1980.

CORRECTED NOTICE
THE COMMERCIAL BANK OF THE NEAR EAST LIMITED

Holders of Share Warrants to Bearer are informed that they will receive payment of the dividend for 1979 of 27p per share on and after the 3rd June, 1980, on surrender of Coupon 49 at the office of the Bank, Bankside House, 107-112, Leadenhall Street, London, EC3A 4AE. Coupons must be left three clear days for examination.

[illegible]

Bankside House,
107-112, Leadenhall Street,
London EC3A 4AE.

CITY OF MANCHESTER BILLS amounting to £17m were issued on 4th June, 1980 for maturity on 3rd September, 1980 at 596%. The total amount applied for was £121m. The total amount of Bills outstanding is £17m.

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Companies and Markets

# CURRENCIES, MONEY and GOLD

## Sterling falls

Sterling fell sharply in late foreign exchange trading following indications from the Prime Ministers that the reduction in Britain's payments to the Common Market should help to reduce domestic interest rates. The pound opened at $2.3370-2.3380 and touched a peak of $2.3445-2.3460 in the afternoon, but then plunged to a low of $2.2870-2.2890 on the statement to Parliament by Mrs. Thatcher. Dealing spreads widened to around 50 points in very nervous trading, but narrowed somewhat at the close, when sterling was quoted at $2.3030-2.3050, a fall of 3.35 cents on the day. The pound's trade-weighted index, as calculated by the Bank of England, fell to 72.9 from 74.2, after standing at 74.1 at noon and 74.0 in the morning.

The dollar's index, on Bank of England figures, was unchanged at 84.2. The U.S. unit eased slightly against most major currencies, in fairly dull trading, finishing near its lowest level of the day. It declined to DM 1.7755 from DM 1.7815 against the D-mark; to SwFr 1.6550 from SwFr 1.6580 against the Swiss franc; and to Y222.50 from Y223.50.

DEUTSCHE MARK—Showing renewed strength against the dollar, and steady within the European Monetary System, following firmer rates in Frankfurt and lower U.S. interest rates — The Deutsche Mark showed mixed changes at the Frankfurt fixing, improving against most of its EMS partners, but losing ground to the dollar and Swiss franc. The U.S. currency rose to DM1.7826 from DM1.7743 without any intervention by the Bundesbank, while the Swiss franch was fixed at DM1.0738 compared with DM 1.0736½. The Italian lira was unchanged at DM2.128 per 1,000 lira, but among other EMS currencies the French franc eased to DM42.95 per 100 francs from DM42.97; the Belgian franc to DM6.246 per 100 francs from DM6.249; the Dutch guilder to DM91.02 per 100 guilder from DM91.04; and the Irish put to DM3.7150 from DM3.7250. Sterling fell to DM4.1640 from DM 4.1730.

BELGIAN FRANC — Much firmer within EMS following moves by the Belgian authorities to increase interest rates as a move to defend the franc—The Belgian franc rose against most EMS currencies at the Brussels fixing, but was unchanged at BFr 16.01 against the Deutsche Mark. The French franc fell to BFr 6.8765 from BFr 6.8865; the guilder to BFr 14.5695 from BFr 14.5785; and the lira to BFr 3.406 per 100 lire from BFr 3.4087½. Outside the EMS the dollar rose to BFr 28.5275 from BFr28.39 and sterling fell to BFr 66.6875 from BFr 66.8350.

ITALIAN LIRA — Weakest member of EMS, after rising to the top of the system in February, and remaining firm for most of last year—The lira improved against most EMS currencies at the Milan fixing, although the Deutsche Mark rose to L470.04 from L469.70. The French franc eased to L201.95 from L202$ the Dutch guilder to L427.70 from L427.77; the Danish krone to L150.89 from L151.21; and the Irish put o L1,747.50 from L1,748.50. Outside the EMS the dollar rose to L837.80 from L833.05 and the Swiss franc to L504.35 from L504.20.

JAPANESE YEN—Energy and balance of payments problems reflected in sharp decline last year. More recently lower U.S. interest rates have helped the yen recover — The yen lost ground against the dollar, in calm Tokyo trading, with the U.S. currency rising to Y223.47½ from Y222.50.

### THE POUND SPOT AND FORWARD

| June 3 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| U.S. | 2.2870-2.3460 | 2.3030-2.3050 | 1.37-1.27c pm | 6.88 | 3.37-3.27 pm | 5.78 |
| Canada | 2.6580-2.7250 | 2.6735-2.6765 | 1.05-0.90c pm | 4.37 | 3.15-3.00 pm | 4.60 |
| Nethlnd. | 4.49-4.59 | 4.49½-4.50½ | 2½-1½c pm | 5.33 | 6½-5½ pm | 5.22 |
| Belgium | 66.20-66.80 | 66.45-66.55 | 15-5c pm | 1.80 | 30-20 pm | 1.50 |
| Denmark | 12.71-12.89 | 12.71½-12.72½ | 2⅝-4½ore dis | −3.30 | 7⅞-9 dis | −2.54 |
| Ireland | 1.0980-1.1220 | 1.0990-1.1010 | 0.04-0.01p pm | 0.27 | 0.25-0.20 pm | 0.82 |
| W. Ger. | 4.08-4.18 | 4.08¾-4.09¾ | 3½-2½pf pm | 7.70 | 8-7 pm | 7.33 |
| Portugal | 112.75-114.75 | 112.85-113.15 | par-40c dis | −2.12 | par-120 dis | −2.12 |
| Spain | 161.40-163.60 | 161.45-161.55 | 15c pm-35c dis | 0.74 | 20-96 dis | 1.44 |
| Italy | 1,922-1,957 | 1,923-1,924 | 1½-3¼ lire dis | −1.72 | 10-13liredis | −2.39 |
| Norway | 11.20-11.50 | 11.20½-11.21½ | 5¾-3⅞ore pm | 4.98 | 14⅝-13⅝ pm | 4.96 |
| France | 9.54-9.70 | 9.55-9.56 | 4¼-3½c pm | 4.71 | 9¼-8¼ pm | 3.66 |
| Sweden | 9.64-9.81 | 9.64½-9.65½ | 2¾-2¼ore pm | 3.03 | 6-5⅞ pm | 2.36 |
| Japan | 510-526 | 512-513 | 1.80-1.55y pm | 3.92 | 5.20-4.95 pm | 3.99 |
| Austria | 29.20-29.80 | 29.20-29.25 | 19-16gro pm | 7.19 | 50-44 pm | 6.43 |
| Switz. | 3.80-3.89 | 3.81-3.82 | 4⅛-3½c pm | 11.40 | 10¼-9¾ pm | 10.62 |

Belgian rate is for convertible francs. Financial franc 66.40-66.50 Six-month forward dollar 5.65-5.55c pm, 12-month 8.70-8.50c pm.

### THE DOLLAR SPOT AND FORWARD

| June 3 | Day's Spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 2.2870-2.3460 | 2.3030-2.3050 | 1.37-1.27c pm | 6.88 | 3.37-3.27 pm | 5.76 |
| Ireland† | 2.0835-2.0920 | 2.0900-2.0920 | 1.34-1.24c pm | 7.40 | 3.60-3.45 pm | 6.74 |
| Canada | 1.1593-1.1622 | 1.1611-1.1614 | 0.20-0.25c dis | −1.67 | 0.34-0.39dis | −0.90 |
| Nethlnd. | 1.9530-1.9605 | 1.9530-1.9545 | 0.10-0.20c dis | −0.92 | 0.22-0.32dis | −0.55 |
| Belgium | 28.43-28.565 | 28.43-28.45 | 12-14c dis | −5.48 | 30.33 dis | −4.43 |
| Denmark | 5.5250-5.5690 | 5.5450-5.5460 | 4.60-5.10oredis | −10.49 | 11.7-11.2dis | −8.26 |
| W. Ger. | 1.7740-1.7850 | 1.7750-1.7760 | 0.08pf pm-0.02dis | 0.20 | 0.30-0.20 pm | 0.56 |
| Portugal | 49.00-49.15 | 49.00-49.15 | 30-45c dis | −9.17 | 75-125 dis | −8.15 |
| Spain | 69.85-70.15 | 69.90-69.95 | 30-50c dis | −6.86 | 105-135 dis | −6.86 |
| Italy | 836.25-838.20 | 836.25-836.75 | 5.50-6.50 lire dis | −8.61 | 16¾-18 dis | −8.31 |
| Norway | 4.8680-4.890 | 4.8680-4.8700 | 0.30-0.80ore dis | −1.35 | 0.40-0.90dis | −0.53 |
| France | 4.1400-4.1535 | 4.1475-4.1500 | 0.72-0.82c dis | −2.23 | 2.00-2.20dis | −2.02 |
| Sweden | 4.1890-4.1965 | 4.1890-4.1900 | 1.35-1.50ore dis | −4.08 | 3.75-3.90dis | −3.65 |
| Japan | 222.35-223.60 | 222.45-222.55 | 0.60-0.70y dis | −3.23 | 1.05-1.25dis | −2.07 |
| Austria | 12.6775-12.73 | 12.68-12.69 | 0.15gropm-0.45dis | −0.14 | 1.40pm-0.35dis | 0.27 |
| Switz. | 1.6540-1.6640 | 1.6545-1.6555 | 0.71-0.61c pm | 4.78 | 2.12-2.02 pm | 5.00 |

† UK, Ireland and Canada are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

### CURRENCY MOVEMENTS

| June 3 | Bank of England Index | Morgan Guaranty Changes % |
|---|---|---|
| Sterling | 72.9 | −32.7 |
| U.S. dollar | 84.2 | −9.2 |
| Canadian dollar | 81.1 | −16.8 |
| Austrian schilling | 155.4 | +23.6 |
| Belgian franc | 115.6 | +14.2 |
| Danish kroner | — | −4.6 |
| Deutsche mark | 155.5 | +44.9 |
| Swiss franc | 196.2 | +78.7 |
| Guilder | 125.1 | +19.4 |
| French franc | 101.1 | −5.9 |
| Lira | 53.5 | −50.9 |
| Yen | 127.5 | +26.1 |

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England index=100).

### CURRENCY RATES

| June 2 | Bank rate % | Special Drawing Rights | European Currency Unit |
|---|---|---|---|
| Sterling | 17 | 0.559576 | 0.603440 |
| U.S. $ | 12 | 1.31685 | 1.42140 |
| Canadian $ | 11.83 | 1.52583 | 1.64613 |
| Austria Sch. | 6¾ | 16.6713 | 17.9950 |
| Belgian F. | 14 | 37.3854 | 40.3537 |
| Danish K | 13 | 7.25463 | 7.83194 |
| D'Mark | 7½ | 2.33649 | 2.52015 |
| Guilder | 10 | 2.56588 | 2.76719 |
| French Fr. | 9½ | 5.43135 | 5.85974 |
| Lira | 15 | 1096.94 | 1183.82 |
| Yen | 9 | 294.711 | 315.765 |
| Norwgn. Kr. | 9 | 6.39265 | 6.89836 |
| Spanish Pts. | 8 | 91.5698 | 98.9297 |
| Swedish Kr. | 10 | 5.49442 | 5.93152 |
| Swiss Fr. | 3 | 2.17504 | 2.34788 |

### OTHER CURRENCIES

| June 3 | £ | $ | | £ Note Rates |
|---|---|---|---|---|
| Argentina Peso | 4244-4264 | 1818-1825 | Austria | 29.55-29.85 |
| Australia Dollar | 2.0110-2.0150 | 0.8743-0.8747 | Belgium | 67.15-67.75 |
| Brazil Cruzeiro | 117.9-118.9 | 50.51-50.81 | Denmark | 12.91-12.99 |
| Finland Markka | 8.44-8.45 | 3.6595-3.6615 | France | 9.52-9.58 |
| Greek Drachma | 100.726-105.066 | 42.90-43.10 | Germany | 4.145-4.1750 |
| Hong Kong Dollar | 11.35-11.37 | 4.9100-4.9130 | Italy | 1919-1970 |
| Iran Rial | n/a | n a | Japan | 519-524 |
| Kuwait Dinar(KD) | 0.620-0.630 | 0.2685-0.26870 | Netherlands | 4.55-4.58 |
| Luxembourg Frc. | 66.45-66.55 | 28.43-28.45 | Norway | 11.34-11.42 |
| Malaysia Dollar | 4.98-4.995 | 2.1540-2.1560 | Portugal | 112-115.0 0 |
| New Zealand Dlr. | 2.3420-2.3470 | 1.0168-1.0178 | Spain | 158.25-165.5 |
| Saudi Arab. Riyal | 7.70-7.80 | 3.3290-3.3310 | Sweden | 9.78-9.85 |
| Singapore Dollar | 4.928-4.945 | 2.1320-2.1340 | Switzerland | 3.86-3.89 |
| Sth. African Rand | 1.7964-1.7987 | 0.7797-0.7803 | United States | 1910-1970 |
| U A.E. Dirham | 8.57-8.67 | 3.7015-3.7030 | Yugoslavia | 48.50-52.00 |

Rate given for Argentina is free rate

### EMS EUROPEAN CURRENCY UNIT RATES

| | ECU central rates | Currency amounts against ECU June 3 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 39.7897 | 40.3229 | +1.34 | +0.43 | ±1.53 |
| Danish Krone | 7.72336 | 7.84015 | +1.51 | +0.60 | ±1.64 |
| German D-Mark | 2.48208 | 2.51757 | +1.43 | +0.52 | ±1.125 |
| French Franc | 5.84700 | 5.86347 | +0.28 | −0.63 | ±1.3557 |
| Dutch Guilder | 2.74362 | 2.76678 | +0.84 | −0.07 | ±1.512 |
| Irish Punt | 0.668201 | 0.677491 | +1.39 | +0.48 | ±1.668 |
| Italian Lira | 1157.79 | 1183.74 | +2.24 | +1.33 | ±4.08 |

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### EXCHANGE CROSS RATES

| June 3 | Pound Sterling | U.S. Dollar | Deutschem'k | Japan'se Yen | French Franc | Swiss Franc | Dutch Guild' | Italian Lira | Canada Dollar | Belgian Franc |
|---|---|---|---|---|---|---|---|---|---|---|
| Pound Sterling | 1. | 2.304 | 4.085 | 512.5 | 9.555 | 3.815 | 4.500 | 1924 | 2.675 | 66.50 |
| U.S. Dollar | 0.434 | 1. | 1.776 | 222.4 | 4.147 | 1.656 | 1.953 | 834.9 | 1.161 | 28.86 |
| Deutschemark | 0.244 | 0.563 | 1. | 125.2 | 2.335 | 0.932 | 1.100 | 470.0 | 0.654 | 16.25 |
| Japanese Yen 1,000 | 1.951 | 4.496 | 7.985 | 1000. | 18.64 | 7.444 | 8.780 | 3753. | 5.219 | 129.8 |
| French Franc 10 | 1.047 | 2.411 | 4.283 | 536.4 | 10. | 3.993 | 4.710 | 2013. | 2.799 | 69.60 |
| Swiss Franc | 0.262 | 0.604 | 1.073 | 134.3 | 2.505 | 1. | 1.180 | 504.2 | 0.701 | 17.43 |
| Dutch Guilder | 0.222 | 0.512 | 0.909 | 113.9 | 2.123 | 0.848 | 1. | 427.4 | 0.594 | 14.78 |
| Italian Lira, 1,000 | 0.520 | 1.198 | 2.128 | 266.4 | 4.968 | 1.983 | 2.339 | 1000. | 1.390 | 34.57 |
| Canadian Dollar | 0.374 | 0.861 | 1.530 | 191.6 | 3.573 | 1.426 | 1.683 | 719.2 | 1. | 24.86 |
| Belgian Franc 100 | 1.504 | 3.465 | 6.154 | 770.7 | 14.37 | 5.737 | 6.767 | 2892. | 4.022 | 100. |

### FT LONDON INTERBANK FIXING (11.00 a.m. JUNE 3)

| 3 month U.S. dollars | | 6 month U.S. dollars | |
|---|---|---|---|
| bid 10 7/16 | offer 10 9/16 | bid 10 7/16 | offer 10 9/16 |

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris, and Morgan Guaranty Trust.

Rates for June 2 should have read: three-month, bid 10 5/16—offer 10 9/16; six-month bid 10 5/16—offer 10 7/16.

### EURO-CURRENCY INTEREST RATES (Market Closing Rates)

| June 3 | Sterling | U.S. Dollar | Canadian Dollar | Dutch Guilder | Swiss Franc | West German Mark | French Franc | Italian Lira | Asian $ | Japanese Yen |
|---|---|---|---|---|---|---|---|---|---|---|
| †Short term | 16⅞-17⅛ | 10¼-10½ | — | 11⅛-11⅜ | 2-2¼ | 9¾-9⅞ | 12⅜-12½ | 14½-16½ | 11⅛-11¼ | 15-15½ |
| 7 days' notice | 16¾-17 | 10⅜-10⅝ | — | 11⅛-11⅜ | 4-4½ | 9¾-9⅞ | 12⅜-12½ | 15-16½ | 10⅞-11 | 13⅝-13⅞ |
| Month | 17⅛-17⅜ | 10¼-10½ | 12 1/16-12 5/16 | 11⅛-11⅜ | 5 5/16-5 11/16 | 9 5/16-9 11/16 | 12 3/16-12 7/16 | 18-19½ | 10¼-10⅜ | 13 7/16-13 11/16 |
| Three months | 16⅞-17⅛ | 10⅜-10⅝ | 11 7/16-11 11/16 | 11-11¼ | 5 5/16-5 11/16 | 9-9¼ | 12⅝-12⅞ | 18-19 | 10¼-10⅜ | 12⅛-12 11/16 |
| Six months | 16⅛-16⅜ | 10⅜-10⅝ | 10 13/16-11 1/16 | 10⅝-10⅞ | 5⅛-5⅜ | 9-9¼ | 12⅝-12⅞ | 18⅛-19½ | 10½-10⅝ | 11¾-11⅞ |
| One year | 14⅞-15⅛ | 10 7/16-10 11/16 | 10 7/16-10 11/16 | 10⅝-10⅞ | 5 1/16-5 5/16 | 8-8¼ | 12¾-13 | 18-21 | 10 7/16-10 11/16 | 2⅛-3⅜ |

The following nominal rates were quoted for London dollar certificates of deposit: one-month 10¼-10½ per cent; three-months 10 7/16-10 9/16 per cent; six-months 10 7/16-10 9/16 per cent, one year 10½-10⅝ per cent.

Long-term Eurodollar two years 10⅝-10¾ per cent; three years 10¾-11 per cent; four years 10⅞-11⅛ per cent; five years 11-11¼ per cent; nominal closing rates. Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen: others two days' notice. Asian rates are closing rates in Singapore.

### INTERNATIONAL MONEY MARKET

## Belgian rates ease

Interest rates in Brussels continued to decline yesterday with further cuts in short term Treasury bill rates. Two and three-month bills were lowered to 15¼ per cent and 15 per cent respectively from 15½ per cent. The one-month rate was left at 15½ per cent. Yesterday's move was the second downward adjustment in less than a week, and since rates touched a peak of 17½ per cent towards the end of March, Belgian interest rates have been gradually reduced in line with rates in other countries. Yesterday's cut was also further indication of an easing of pressure on the Belgian franc within the European Monetary System, after the authorities had elected to protect the franc with record interest rate levels.

In Frankfurt call money was quoted at 10.10 per cent compared with 10.25 per cent on Monday, but was still well above the Lombard rate of 9½ per cent. Banks are expected to resort more to the Lombard facility later in the month, as liquidity levels start to decrease, with money drawn out by the start of the holiday season. However, there may be a further injection of funds by way of a new 30-day pension facility.

### UK MONEY MARKET

## Free supply

Bank of England Minimum Lending Rate 17 per cent (since November 15, 1979)

Day-to-day credit remained in good supply in the London money market yesterday, and the authorities absorbed funds for the third day running by selling a moderate amount of Treasury bills, direct to discount houses. The market was faced with a small net take up of Treasury bills to finance, but this factor was outweighed by a small excess of Government disbursements over revenue transfers to the Exchequer and banks bringing forward balances a moderate way above target. Discount houses were paying around 15½ per cent for secured call loans at the start, with later balances taken as low as 9½ per cent.

In the interbank market overnight loans opened at 16-16¼ per cent and eased to 16 per cent quite quickly and then fell away to 13 per cent.

### GOLD

| | June 3 | | June 2 | |
|---|---|---|---|---|
| | Gold Bullion (fine ounce) | | | |
| Close | $551-555 | (£239-241) | $556-561 | (£237½-240) |
| Opening | $557-561 | (£239-241) | $558-563 | (£237-239½) |
| Morning fixing | $554.50 | (£237.555) | $563.00 | (£239.015) |
| Afternoon fixing | $552.50 | (£237.430) | $561.50 | (£239.548) |
| | Gold Coins | | | |
| Krugerrand | $568-571 | (£246½-248½) | $576-580 | (£246-249) |
| Mapleleaf | $563-568 | (£243-246) | $572-577 | (£244-247) |
| New Sovereigns | $140-141 | (£60½-61½) | $142-143½ | (£60¾-61¾) |
| King Sovs | $173-176 | (£75-77) | $173-176 | (£74-76) |
| Victoria Sovs | $174-177 | (£75½-77½) | $174-177 | (£74½-76½) |
| French 20s | $152-155 | | $149-152 | |
| 50 pesos Mexico | $664-670 | | $692-702 | |
| 100 Cor. Austria | $544-549 | | $553-558 | |
| $20 Eagles | $656-660 | | $662-667 | |
| $10 Eagles | — | | — | |
| $5 Eagles | — | | — | |

### GOLD

## Slight fall

Gold fell $5½ in the London bullion market yesterday to close at $551-555. It opened at $557-561, the highest level of the day, and was fixed at $554.50 in the morning and $552.50 in the afternoon. The lowest point touched was $547-551. Trading was quiet.

In Paris the 12½-kilo bar was fixed at FFr 75.700 per kilo ($567.35 per ounce) in the afternoon, compared with FFr 75,950 ($569.22) in the morning, and FFr 75,700 ($570.85) Monday afternoon.

In Frankfurt the 12½-kilo bar was fixed at DM 31,700 per kilo ($552.97 per ounce), against DM 32,215 ($565.00) previously, and closed at $551-554, compared with $556-564.

In Zurich gold finished at $550-555 against $560-565.

### MONEY RATES

| | |
|---|---|
| **NEW YORK** | |
| Prime Rate | 14-14½ |
| Fed. Funds | 11⅛-11½ |
| Treasury Bills (13-week) | 7.92 |
| Treasury Bills (26-week) | 8.13 |
| **GERMANY** | |
| Discount Rate | 7.5 |
| Overnight Rate | 10.05 |
| One month | 10.15 |
| Three months | 10.25 |
| Six months | 9.825 |
| **FRANCE** | |
| Discount Rate | 9.5 |
| Overnight Rate | 12.3125 |
| One month | 12.375 |
| Three months | 12.4375 |
| Six months | 12.3125 |
| **JAPAN** | |
| Discount Rate | 9.0 |
| Call (Unconditional) | 12.75 |
| Bills Discount (three-month) | 13.6875 |

### LONDON MONEY RATES

| June 3 1980 | Sterling Certificate of deposit | Interbank | Local Authority deposits | Local Auth. negotiable bonds | Finance House Deposits | Company Deposits | Discount market deposits | Treasury Bills ⊕ | Eligible Bank Bills ⊕ | Fine Trade Bills ⊕ |
|---|---|---|---|---|---|---|---|---|---|---|
| Overnight | — | 10-16¼ | — | — | — | 10-15½ | 9½-16½ | — | — | — |
| 2 days notice | — | — | 16¾-17 | — | — | — | — | — | — | — |
| 7 days or | — | — | — | — | — | — | — | — | — | — |
| 7 days notice | — | 16⅝-16¾ | 17-17⅛ | — | 16⅞ | 15¾ | 16¼-16½ | — | — | — |
| One month | 17 1/16-16⅞ | 16 13/16-17 1/16 | 17⅛ | 17⅞-18 | 17¼ | 17⅝-17½ | 16⅝-16¾ | 15 15/16 | 17 1/16 | 17⅝ |
| Two months | 17 1/16-16⅞ | 16 13/16-17 1/16 | — | 17¾-17½ | 17¼ | — | 16½ | 15 13/16-15 25/32 | 16 13/16-16 25/32 | 17¼ |
| Three months | 17 1/16-16 15/16 | 17-17⅛ | 17⅛ | 17½-17¼ | 17 | 16¾-17⅛ | 16⅜ | 16-16 1/16 | 16 9/16-16½ | 16⅞ |
| Six months | 16 5/16-16 | 16 3/16-16 5/16 | 16⅝ | 16¼-15¾ | 16½ | — | — | — | 15 7/16 | 15⅝ |
| Nine months | 15 13/16-15⅝ | 15 11/16-15 13/16 | — | 16-15½ | 15¾ | — | — | — | — | — |
| One Year | 14⅞-14¾ | 16-16⅛ | 16¼ | 15⅝-15⅜ | 16¼ | — | — | — | — | — |
| Two years | — | — | 15-15⅛ | — | — | — | — | — | — | — |

Local authority and finance houses seven days' notice, others seven days' fixed. *Long-term local authority mortgage rate nominally three years 15-15⅛ per cent; four years 14¾-14⅞ per cent; five years 14⅝-14¾ per cent. ⊕Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 15 15/16-16⅛ per cent; four-month trade bills 16½ per cent.

Approximate selling rates for one-month Treasury bills 15 25/32 per cent; two-months 15⅞-15 25/32 per cent; three-months 15 15/16-16 per cent. Approximate selling rates for one-month bank bills 17 1/32 per cent; two-months 16 29/32-16¾ per cent; three-months 16⅝-16 15/32 per cent; one-month trade bills 17½ per cent; two-months 17 per cent; and three-months 16⅞ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 17½ per cent from June 1, 1980. Clearing Bank Deposit Rates for sums at seven days' notice 15 per cent. Clearing Bank Rates for lending 17 per cent. Treasury Bills: Average tender rates of discount 16.0608 per cent.

# WORLD STOCK MARKETS

## Mixed early Wall St. showing

WITH INVESTORS remaining cautious about the recent gloomy economic statistics, Wall Street fluctuated narrowly in moderate early activity yesterday before making a mixed showing at mid-session.

The Dow Jones Industrial Average was just 0.09 harder at 847.44 at 1 pm, while the NYSE All Common Index gained 4 cents to $63.26, but declines held a narrow lead over advances. Turnover slowed to 18.58m shares from the previous day's 1 pm figure of 20.73m.

Michael Metz, of Oppenheimer and Co., said the market was consolidating its recent gains while investors tried to guage the severity of the impending recession. He added that investors were also watching how the Bond market absorbed its heavy calendar of offerings. Bond prices were higher yesterday morning.

Renewed interest in Precious Metals over the past week or so was also keeping stock investors cautious, analysts said, since it suggests gold investors fear inflation will not abate.

Volume leader Tosco slipped ¼ to $27½, after a 3½ point rise on Monday in response to a Supreme Court ruling on oil shale properties.

Union Pacific shed ¼ to $42¼ and Missouri Pacific also ¼ to $57½. They intend filing applications with the Interstate Commerce Commission in mid-September for approval of a merger of Union, Missouri and Western Pacific.

Freeport Minerals lost ¼ to $34½ despite announcing that it expects a gain of 18 cents a share in second-quarter profits from the sale of Australian properties.

Metro-Goldwyn-Mayer "when issued" lost 1¼ to $7. Kirk Kerkorian has dropped a planned $5 a share bid for enough "when issued" shares to raise its stake to 51 per cent.

Financial Federation rose 1½ more to $39⅞, following a jump of nearly 10 points on Monday on Great Western Financial's proposed bid of $52.65 a share. Great Western eased ¼ to $19.

Fluor advanced 2⅜ to $59¼ on a more than 50 per cent rise in fiscal second-quarter near earnings.

THE AMERICAN SE Market Value Index put on 1.90 to 274.41 at 1 pm on volume of 2.50m shares (2.51m).

### Canada

There was also no decided trend on Canadian markets yesterday morning, although trading stayed active. The Toronto Composite index was 3.7 higher at 1,984.9 at noon, while the il and Gas index gained 16.8 to 4,343.9, but Golds receded 29.6 to 3,290.2.

### Tokyo

Apprehension over the domestic political situation due to Prime Minister Masayoshi Ohira's heart ailment kept trading subdued, and the market mainly eased afresh in thin dealings.

The Nikkei-Dow Jones Average dipped 36.52 to 6,826.18, while declines on the First Market section outpaced gains by 349 to 246 after volume of 220m shares (200m).

Brokers said leading speculative issues, such as Miyaji Iron Works and Nippon Wool Textiles, went down sharply on market rumours that the Tokyo SE may decide tomorrow to adopt new regulations under which stocks of companies capitalised at Y3bn or less cannot be traded in margin trading.

A number of export-orientated issues, including some recently strong Light Electricals, lost ground. Sony reacted Y30 to Y1,990 and Pioneer Electronic Y20 to Y1,820, while Honda Motor shed Y12 to Y575 and Canon Y6 to Y661.

Resources-related issues and Non-ferrous Metals were mostly lower, with Teikoku Oil, Y1,360, and Nippon Oil, Y2,200, easing Y20 apiece, but Koa Oil advanced Y35 to Y850. Mitsui Mining retreated Y7 to Y765 and Dowa Mining Y27 to Y593.

However, elsewhere, Hitachi Seiki rose Y41 to Y517, Toho Rayon Y17 to Y328 and Mitsui Osk Line Y5 to Y213.

### Germany

Shares continued to drift lower, taking the Commerzbank index down 4.1 more to 702.7.

Motors remained particularly depressed, still suffering both from Volkswagen's announcement on Monday that first-quarter profits had fallen 26.9 per cent and from lay-offs at several other companies. Volkswagen weakened DM 2.70, while BMW lost DM 5.50 more and Daimler DM 2.50.

Declines in other sectors were mainly small, however, although Thyssen-Industrie shed DM 2.10 and Varta DM 2.

The Domestic Bond Market recorded losses of up to 50 pfennigs in the wake of the issue of a New Government Loan, priced to yield 8.21 per cent. The Bundesbank bought DM 1.6m net of paper after purchases of DM 4.8m on Monday. Mark Eurobonds were mixed.

### Johannesburg

Gold shares, after recent strength, retreated on news of a production shaft closure at Stilfontein following unrest among some mineworkers, and also reflecting a downturn in the bullion price.

Stilfontein fell R1.75 to R19.00, while Gold Fields SA lost R6 to R80, Kloof R2.25 to R31.25, East Driefontein R1.75 to R25.75, and F. S. Geduld R3 to R58.

Mining Financials tended to ease, while De Beers receded 15 cents to R9.95. Coppers and Platinums were generally steady. Industrials closed on a mixed note after Monday's decline on the Sasol refinery explosions, but trade remained nervous. OK Bazaars shed 20 cents to R15.30, but Rembrandt gained 15 cents to R6.60 and Nedbank 10 cents to R6.00.

### Australia

Minings continued to show a firming tendency, although Gold shares were mainly only modestly higher in much quieter trading after Monday's upsurge. Oils, after recent buoyancy, put on a mixed performance with profit-taking noted, while Industrials were also irregular. The Metals and Minerals index added 50.64 at 5,554.59, although the Sydney All Ordinaries index was just 0.77 higher at 868.21.

Bougainville Copper, which has gold interests, provided an outstanding bright spot with a rise of 25 cents to A$3.55, but Central Norseman Gold, up 90 cents on Monday, were unchanged at A$8.40.

### Paris

French share prices were mixed at the end of a quiet session in the absence of any stimulus. Market observers said institutional investors have taken a hesitant stance and appear to be waiting for a clearer indication of the extent of the economic slowdown in France and abroad.

### Hong Kong

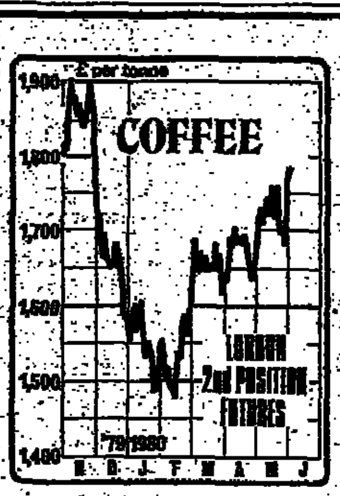
With investors wary about the onset of local recessionary conditions and generally unwilling to enter the market, leading issues mainly marked time yesterday while Properties showed an easier tendency. Business on the Hong Kong SE amounted to only HK$17.66m, down from Monday's HK$27.37m, while the Hang Seng index slipped 2.28 to 899.39.

Hong Kong Land managed to harden 10 cents to HK$11.20, but SHK Properties declined 15 cents to HK$9.50 and Swire Properties 5 cents to HK$5.40.

**Closing prices for North America were not available for this edition.**

# COMMODITIES AND AGRICULTURE

## Frost fears boost coffee




BY RICHARD MOONEY

FEARS THAT frost could hit Brazil's growing regions pushed coffee prices higher on world market yesterday.

Following frost in more southerly non-coffee states yesterday morning, Brazilian weather office officials have warned that the cold air is moving northwards and could cause sub-zero temperatures in the coffee state of Parana. No official frost warning has been issued, however.

With prices already standing at relatively high levels, the market's response was fairly muted. At the close yesterday, the September price on the London futures market was quoted at £1,784.5 a tonne, up £16 on the day. This is the highest level for six months.

Traditionally the high risk frost period in Brazil does not start for some weeks—the "great frost" of 1975 struck on July 19. But changing weather patterns appear to have brought the frost season forward. Last year's damaging frost hit the more northerly state of Minas Gerais on May 30.

Parana used to be Brazil's main coffee growing state but the increased frequency of frosts there caused many farmers to switch to less risky crops or move to new plantations further north. But forest clearance, particularly in Minas Gerais, to make way for the new plantations is believed to have allowed the frost belt to follow the growers and if anything the frequency of frost damage has increased.

Earlier this week Brazil reduced its 1980-81 crop estimate by 1.7m bags (60 kilos each) to 19.5m. This came as no surprise on the market where most traders had thought the earlier forecast too high. But with Brazilian stocks very low any further cutback could have a dramatic effect on prices.

## Dealers confirm cocoa deal

BY JOHN EDWARDS, COMMODITIES EDITOR

LONDON cocoa dealers, J. H. Rayner, part of the S. and W. Berisford group, confirmed yesterday that they were involved in the purchase of 100,000 tonnes of cocoa from the Ivory Coast last week.

It was emphasised that this was a "back to back" deal. Matching sales to European and U.S. manufacturers and processors had been arranged prior to the purchase transaction being completed.

The deal is the biggest single transaction in cocoa to take place for many years, but traders are still somewhat uncertain about its impact on the market. Yesterday prices moved up slightly but this was described mainly as a technical reaction.

Some dealers think it could mark a turning point in the big fall in market prices during recent months to the lowest level for four years. It was pointed out that the huge surplus stockpile in the Ivory Coast, which has now been largely removed by the deal, was a great depressing influence. Other producing countries, notably Ghana, are known also to have sold large quantities in recent weeks so there is no longer the same pressure on producers to sell.

However other dealers point out that the surplus of cocoa remains, even though the surplus may have been transferred to stronger hands in consuming countries. Some consumers, who have bought elsewhere, might well now be tempted to dispose of other cocoa or even the Ivory Coast supplies in view of the slow rate of demand and the desire to keep stocks to a minimum.

It is felt the Ivory Coast may now be less disinclined to sell Brazil cocoa for processing. However the co-operation of consumers in buying from Ivory Coast may help efforts at the International Cocoa Council talks starting in London today to resume negotiations seeking a new cocoa agreement.

The Council meeting is primarily to discuss the disposal of the $220m buffer stock fund, but it may well be used as a forum to start producing and consuming countries talking again. France yesterday at the OECD meeting in Paris urged the resumption of cocoa talks. It said the whole future of the North-South dialogue will be threatened by the breakdown of the Cocoa Agreement.

## Sharper downturn in sugar

By Our Commodities Staff

THE DOWNTURN in sugar values accelerated yesterday taking prices to their lowest levels for two weeks. In the morning the London daily raws price was fixed £20 lower at £310 a tonne and on the futures market the futures market the October position end the day at £361.75 a tonne, down £25.375. This followed a £11.175 decline in the futures price on Monday.

Traders said the fall continued to reflect dealers' nervousness following the recent upsurge which lifted prices to 5½-year highs last week. There is a strong suspicion that the market may have become "overbought."

Futures prices had surged ahead of physical values, dealers said, and this situation could not continue indefinitely.

## N.Z. test for wool market

AN INNOVATION in futures markets was launched yesterday when New Zealand wool traders started dealings on the London crossbred contract overnight on a domestic basis.

The idea is that New Zealand members of the market will be able to trade within their own time scale. Deals made will then be registered through a clearing member in London and treated as kerb or inter-office transactions.

The first day saw 15 lots traded in New Zalend, it is hoped this will gradually build up and create more interest in the London market as a whole.

Meanwhile in Melbourne the Australian Wool Corporation reported that its stock rose to 214,000 bales in April, compared with 129,000 bales held at end-March and 447,500 in April last year.

## Brazil abolishes sisal tax

RIO DE JANEIRO — The central bank of Brazil has published a resolution abolishing the export tax on sisal.

The tax, 12 per cent on the fob value of the sale, was originally imposed last December to offset the effect of the 30 per cent downward adjustment of the cruzeiro against the U.S. dollar.

Reuter

MANGANESE RECOVERY

## New technology and the cost of future output

BY ROY HODSON

AN OPTIMISTIC view of the world's reserves of manganese ore, an essential ingredient in steelmaking, is taken by the International Iron and Steel Institute in a new report.*

Massive deposits of low-grade ore, which can be used successfully after going through upgrading techniques, will meet world needs well into the next century, concludes the institute's committee on raw materials.

"It is difficult to envisage a physical shortage of manganese ore caused by depletion of reserves," the report states.

Nevertheless, the steelmakers are resigned to the fact that manganese will become harder to recover. The IISI assessment is that supplies of high grade manganese ore are limited. Several deposits could be nearing depletion by the end of the century.

### Beneficiation

Two developments are expected to aid future production. Up-grading (beneficiation) processes will be improved for handling the lower grade ores. The mining of the ocean floor for manganese nodules is also expected to play a significant part within the next 10 years. The offshore mining techniques required are being developed, the IISI committee points out, and the chemical processes for extraction of minerals from the nodules are well known.

The IISI warns, however, that although the threat of a prolonged physical shortage of manganese ore in the world appears to be remote there must be the fear of a political shortage which could be brought about by political instability, confrontation, or "unholy alliance."

Nearly all the world's manganese reserves are concentrated in a few countries, as the table shows.

The present world production of manganese ore is about 24m tonnes a year—providing about 10m tonnes of manganese. More than 85 per cent of the total comes from only six countries—Russia, South Africa, Australia, Gabon, Brazil and India.

Russia and South Africa share between them a very high percentage of the reserves. Each country has more than 1,000m tonnes of manganese content, according to the U.S. Bureau of Mines figures. Together Russia and South Africa possess more than 80 per cent of the current known world manganese deposits.

**WORLD ONSHORE MANGANESE RESOURCES**

| | (m. tonnes of manganese content) |
|---|---|
| North America | 82 |
| Latin America | 82 |
| South Africa | 1,413 |
| Rest of Africa | 106 |
| Asia | 41 |
| Australia | 158 |
| China | 30 |
| Bulgaria | 4 |
| Russia | 1,170 |

*The U.S. Bureau of Mines has compiled these estimates of reserves already measured, and reserves which are either indicated or inferred. The bureau considers all are economically extractable.*

The present effective production of manganese ore in the Western world is estimated to be about 16m tonnes a year. Taking into account all known plans for expansion of capacity, and allowing for reductions in capacity where they are known, the effective producing capacity in the West is estimated by the IISI to be likely to reach a maximum of 19m tonnes a year by 1985.

### Assessment

Comecon capacity is put at about 9m tonnes a year at present, and Chinese production capacity at 1.7m tonnes a year. The steelmakers say that too little is known of the plans of either Comecon or China to make an accurate assessment of their likely capacity in the mid-1980s.

World trade in manganese ores is running at about 12m tonnes a year. The main exporters are South Africa, Gabon, Australia, Russia, Brazil and India, who together account for about 90 per cent of total world exports. Russia exports mainly to the Eastern bloc countries. The total Comecon region is now a substantial net importer from the Western world.

Manganese is used in the steel industry in the form of ore and as manganese ferro-alloys. It is usually added to the blast furnace as low-grade manganese ores or as manganese-containing iron ores. The IISI forecasts that developments in blast furnace practice may decrease the amount of manganese required in the blast furnace thus helping to slow down growth in demand. One technique which may have an important application is the external desulphurising of hot metal.

At present more than 92 per cent of manganese output is used by the steel industry and the percentage is not expected to change substantially in the next few years.

The steelmakers forecast that it will be reasonable to assume a world manganese ore requirement of between 29m tonnes a year and 32m tonnes a year by the mid-1980s.

### Ocean mining

The technology of ocean bed mining is expected by the IISI committee to be making an impact on the world of manganese by the end of the century.

The depths at which nodules are to be found is highly variable, from about 1,000 metres in the Atlantic to depths as great as 3,500 metres in the Pacific. The nodules contain in approximae order of abundance: manganese, iron, nickel, copper, cobalt, and molybdenum. Content varies considerably; in the Pacific some nodules contain up to 30 per cent manganese.

The steel committee comments that the logistical problems over the mining of nodules are huge. The most intractable difficulty in the recovery of sea-bed manganese is expected to be the cost of offshore mining.

* *Manganese and the Iron and Steel Industry. Published by the International Iron and Steel Institute. Avenue Hamoir, Brussels.*

## Interest seen for potato futures market

INITIAL SUPPORT for the London potato futures market, due to be launched on June 16, is likely to come primarily from speculators.

The potato trade had shown "keen interest" in the proposed London potato futures market, according to Mr. Tony Beeson, chairman of the market's formation committee. He told a seminar yesterday that they expected a flurry of activity in the first few weeks, mainly from speculators, but support from farmers and merchants would build up when they saw the market operating properly.

So far, 16 brokers have agreed to pay the £5,000 full membership fee, and ten applications have been made for associate membership, initially costing £2,000.

## U.S. to ask Australia to keep embargo policy

WASHINGTON — The U.S. Government is to urge Australia to continue its present policy of not replacing the U.S. grain embargoed for shipment to the Soviet Union at the meeting next week between the U.S. Agriculture Department and Australian Primary Industry Minister Peter Nixon to discuss the U.S. embargo on grain sales to the USSR.

USDA officials said Mr. Nixon will probably meet Mr. Bob Bergland, Agriculture Secretary, on June 10. Later in the week, the Australian Minister will travel to Ottawa for talks.

The U.S. will urge Australia to keep its grain sales to the Soviet Union for the next marketing year at the same level as the current year. For example, Australia's current contract, to supply 2.3m tonnes of wheat to the USSR, will not be completed until July. The USDA would have no objections if future Australian wheat sales to the USSR were approximately the level of the current year.

For coarse grains, the U.S. hopes that Australia keeps its sales to the Soviet Union at its traditional or historical levels.

Farm groups in the U.S., Canada and Australia have put pressure on their respective Governments to ease the restrictions on grain trade with the Soviet Union.

● Arusha, Tanzania—Tanzanian Prime Minister Edward Sokoine said it should be possible for most African countries to become self-sufficient in food and even produce exportable surpluses.

Reuter.

## Apple farmers demands rejected

By Richard Mooney

BRITISH DEMANDS for action to stem the flow of cheap apples into the country were rejected by representatives of Continental growers at a meeting in Brussels yesterday.

Mr. Dan Ueutboom, chairman of the National Farmers' Union's apple and pear committee, who led the British delegation said a call for measures to stabilise the EEC apple trade was given sympathetic consideration "but not all member countries were able to agree to them."

The delegation told the European Farmers' Union's fruit and vegetables working party it wanted intra-community trade in apples to be restricted to top grade fruit; a ban on trade in loose packed apples; and the return of sub-standard fruit at the exporters' expense.

# BRITISH COMMODITY MARKETS

## BASE METALS

COPPER—Little changed in quiet trading on the London Metal Exchange. Forward metal moved narrowly between extremes of £908 and £916, with the latter occurring during the afternoon rings when sterling fell sharply. Closing price on the Kerb was £913.5. Turnover: 16,175 tonnes.

| COPPER | a.m. Official | + or — | p.m. Unofficial | + or — |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Wirebars | | | | |
| Cash | 888.5-9 | +.25 | 892.5-3.5 | +6.5 |
| 3 months | 910-1 | —3.5 | 914-.5 | +1.75 |
| Settlem't | 889 | — | — | ...... |
| Cathodes | | | | |
| Cash | | | 866-8 | +.5 |
| 3 months | 884-5 | +1 | 890-2 | —.5 |
| Settlem't | 887-8 | —4 | — | ...... |
| U.S. Prod | 865 | — | *95 | ...... |

Amalgamated Metal Trading reported that in the morning, cash wirebars traded at £890, 89; three months £909, 8, 9, 10, 11, 10, 12, 13, 11. Cathodes: Three months £888, 87, 88. Kerb: Wirebars: Three months £911, 10, 9, 9.5. Afternoon: Wirebars: Three months £913, 12, 13, 15, 16, 15, 14. Kerb: Wirebars: Three months £914.5, 14, 13, 13.5. Cathodes: Mid-June £879; three months £892.

TIN—Gained ground in quiet trading. The rise at Penang saw forward metal move up to £7,360 in the morning rings with the backwardation widening to around £150. In the afternoon offerings of cash material narrowed the backwardation to £120 but three months held steady around the £7,370 level reflecting the decline in sterling. Turnover: 1,315 tonnes.

| TIN | a.m. Official | + or — | p.m. Unofficial | + or — |
|---|---|---|---|---|
| High Grade | £ | £ | £ | £ |
| Cash | 7490-51 | +70 | 7480-50 | +15 |
| 3 months | 7365-85 | +55 | 7385-40 | +82.5 |
| Settlem't | 7510 | +70 | — | ...... |
| Standard | | | | |
| Cash | 7490-51 | +70 | 7480-50 | +15 |
| 3 months | 7345-50 | +42.5 | 7365-70 | +47.5 |
| Settlem't | 7510 | +70 | — | ...... |
| Straits E. | †$2181 | +5 | — | ...... |
| New York | — | | — | ...... |

Morning: Standard: Cash £7,500; three months £7,350, 60, 50. Kerb: Standard: Three months £7,350. Afternoon: Standard: Cash £7,490; three months £7,360, 70, 65, 75, 70, 65. Kerb: Standard: Three months £7,360.

LEAD—Quietly firm as good demand for both cash and forward metal during the morning lifted three months metal to £322 on the Kerb. The market moved in a £2 range throughout the afternoon with forward metal finally £321 on the late Kerb. Turnover: 13,025 tonnes.

| LEAD | a.m. Official | + or — | p.m. Unofficial | + or — |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Cash | 320-1 | +3 | 324-5 | +14 |
| 3 months | 321.5-2.5 | —1.5 | 326.5-7.5 | +11.5 |
| S'ment | 321 | +3 | — | ...... |
| U.S. Spot | — | — | *36.40 | ...... |

Morning: Cash £318, 19, 20, 21; three months £318, 19, 20, 22, 21, 22, 24, 23, 22. Kerb: Three months £320. Afternoon: Three months £320, 25, 24, 25, 26, 27. Kerb: Three months £326, 24, 23, 22, 21.5, 21, 22, 21.

ZINC—Barely changed in routine trading with forward metal finally £309.5 on the late Kerb. Turnover: 3,125 tonnes.

| ZINC | a.m. Official | + or — | p.m. Unoffic'l | + or — |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Cash | 295-6 | —2 | 297-8 | +1.5 |
| 3 months | 306-7 | —2.82 | 308-9 | +1 |
| S'ment | 296 | —2 | — | ...... |
| Primw'ts | — | ...... | *37.5 | ...... |

Morning: Three months £308, 7. Kerb: Three months £307. Afternoon: Cash £297; three months £309, 8.5. Kerb: Three months £308.

ALUMINIUM—Gained ground. After trading around the £720 level for most of the morning forward metal rose to £727 in the afternoon, owing to the fallin sterling, before easing to close the late Kerb at £725.5. Turnover: 8,400 tonnes.

| Alumin'm | a.m. Official | + or — | p.m. Unoffic'l | + or — |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Spot | 724-6 | +7.5 | 728-30 | +9 |
| 3 months | 721-2 | +7.5 | 725-.5 | +8 |

Morning: Three months £721, 22, 23, 22, 21. Kerb: Three months £721, 20. Afternoon: Cash £733, 32, 31; three months £726, 26, 27, 26, 25.5. Kerb: Three months £725, 26, 25.

NICKEL—Moved ahead as sterling fell away. Forward metal traded around £2,680 in the morning and gained ground to close the late Kerb at £2,705 reflecting currency fluctuations. Turnover: 198 tonnes.

| NICKEL | a.m. Official | + or — | p.m. Unoffic'l | + or — |
|---|---|---|---|---|
| Spot | 2595-600 | +10 | 2610-20 | +15 |
| 3 months | 2680-90 | +7.5 | 2695-700 | —17 |

Morning: Cash £2,600, 2,595; three months £2,680, 85. Afternoon: Three months £2,708, 05.

## SILVER

Silver was fixed 18.15p an ounce lower for spot delivery in the London bullion market yesterday at £6.0580. U.S. equivalents of the fixing levels were: spot $14.167, down 48.3c; three-month $14.482, down 52.6c; six-month $14.916, down 37.5c; and 12-month $15.619, down 35.1c. The metal opened at £6.30-6.45 ($14.70-15.00) and closed at £6.20-6.35 ($14.30-14.60).

| SILVER per troy oz. | Bullion fixing price | + or — | L.M.E. p.m. Unoffic'l | + or — |
|---|---|---|---|---|
| Spot | 605.80p | —18.1 | 629.3p | +7.8 |
| 3 months | 628.00p | —17.4 | 651.5p | +7.5 |
| 6 months | 655.00p | —12.5 | — | —— |
| 12months | 695.00p | —11.8 | — | —— |

LME—Turnover 122 (189) lots of 10,000 ounces. Morning: Cash 614, three months 640, 38, 37, 38, 37, 38, 39, 38, 30, 32, 31, 32, 33, 35, 36, 37. Kerbs: Three months 635, 34. Afternoon: Three months 645, 46, 47, 49.5, 51. Kerbs: Three months 651, 49.

## COCOA

Initially a little easier cocoa futures ended the day on a steady note and closed some £10 higher than Monday evening, physicals were again trading only spasmodically with little interest from producers or consumers at current market levels, reports Gill and Duffus.

| COCOA | Yesterd'ys Close | + or — | Business Done |
|---|---|---|---|
| July | 1052-58 | +12.0 | 1065-30 |
| Sep. | 1081-82 | +10.0 | 1094-55 |
| Dec. | 1129-30 | +10.0 | 1144-05 |
| March | 1177-80 | +14.0 | 1187-51 |
| May | 1205-07 | +17.0 | 1214-180 |
| July | 1227-37 | +22.0 | 1240-08 |
| Sept. | 1240-67 | —23.5 | 1240 |

Sales: 4,758 (5,702) lots of 10 tonnes.



## COFFEE

During a higher than expected opening in Robustas sellers appeared somewhat reluctant to short the market and values were kept within a narrow range, reports Drexel Burnham Lambert. In the afternoon further strength was attributed to currency weakness and a firm New York, but values eased towards the close.

| COFFEE | yesterday's Close | + or — | Business Done |
|---|---|---|---|
| | £ per tonne | | |
| July | 1731-32 | +18.0 | 1740-25 |
| Sept. | 1784-85 | +16.0 | 1785-77 |
| Nov. | 1791-92 | +11.0 | 1808-91 |
| January | 1795-98 | +5.0 | 1816-97 |
| March | 1750-65 | ...... | 1770 |
| May | 1740-60 | +22.5 | — |
| July | 1720-60 | +15.0 | — |

Sales: 4,955 (4,076) lots of 5 tonnes.

ICS indicator prices for June 2 (U.S. cents per pound): Other Mild Arabicas 193.67 (189.83); Robustas ICA 1976 177.00 (175.75). ICA 1968 177.25 (176.00). Unwashed Arabicas 212.50 (213.00). Comp. daily ICA 1968 196.20 (194.89).

## GRAINS

LONDON GRAIN FUTURES—Values increased on steady buying interest to trade 35p-45p higher, some hedge selling pressure at these levels halted any further rally and values eased back further during the afternoon session to close 25p-30p higher on wheat and 10p-25p up on barley. A good trade was seen in wheat/barley spreads, the main volume being in barley.

| WHEAT Mnth | Yesterday close | + or — | BARLEY Yesterday close | + or — |
|---|---|---|---|---|
| Sept. | 94.30 | +0.30 | 91.65 | +0.20 |
| Nov. | 98.15 | +0.38 | 95.65 | +0.15 |
| Jan. | 102.00 | +0.25 | 99.45 | +0.16 |
| Mar. | 105.40 | +0.30 | 102.90 | +0.20 |
| May | 108.80 | +0.26 | 106.25 | +0.25 |

Business done— Wheat: Sept. 94.40-94.25, Nov. 98.25-98.05, Jan. 102.05-101.90, March 105.50-105.10, May 108.85-108.70. Sales: 177 lots of 100 tonnes. Barley: Sept. 91.80-91.65, Nov. 95.80-95.70, Jan. 99.60-99.45, March 103.05-102.90, May 106.30-106.15. Sales: 277 lots of 100 tonnes.

IMPORTED — Wheat: U.S. Dark Northern Spring No. 2, 14 per cent, June 92.00, July 92.75, Aug. 94.50 transhipment East Coast. Maize: French July 118.75 East Coast. S. African Yellow June-July 77.00. Barley: English Feed fob June 97.00, April-June 1981 110.00 East Coast sellers. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: S. East 91.60, S. West 92.80, W. Midlands 92.00, N. West 90.60.

## RUBBER

The London physical market opened easier, with fair interest throughout the day, closing on a slightly steadier note. Lewis and Peat reported a Malaysian godown price of 288 (289) cents a kg (buyer, June).

| No. 1 R.S.S. | Yest'rdays Close | Previous Close | Business Done |
|---|---|---|---|
| July | 58.88-58.90 | 58.40-60.50 | 58.00-58.90 |
| Aug. | 58.90-60.00 | 60.40-61.00 | 59.80 |
| Jly.-Sept | 59.90-60.00 | 60.50-60.70 | 60.30-59.60 |
| Oct-Dec | 63.40-63.60 | 64.30-64.40 | 64.20-63.00 |
| Jan-Mar | 66.50-66.60 | 67.30-67.40 | 67.00-65.90 |
| Apr-Jne | 69.30-69.40 | 70.60-70.20 | 69.20 |
| Jly.-Sept | 71.90-72.10 | 72.70-73.20 | 71.90 |
| Oct-Dec | 74.50-74.70 | 75.30-75.90 | 74.00 |
| Jan-Mar | 77.00-77.10 | 77.70-77.80 | 77.10-76.20 |

Sales: 282 (237) at 15 tonnes, 9 at 5 tonnes.

Physical closing prices (buyer) were: Spot 5 275(p0..p5)70, — — —. Spot. 57.00p (57.25p): July 61.50p (61.75p); August 62.25p (62.75p).

*

HIDES — Birmingham: Weaker tendency. Second clears. Ox 31-35.5 kilos, 26p a kilo (24p a kilo withdrawn); 26-30.5 kilos, 23.7p (25.1p a kilo withdrawn); 22-25.5 kilos, 30.3p (35.5p a kilo withdrawn). Light cows 30.5p (32.5p).

## SOYABEAN MEAL

The London market opened with losses of 50p on favourable crop conditions, reports T. G. Roddick. Prices drifted further before rallying on weaker sterling and finished unchanged on the day.

| | Yest'rday Close | + or — | Business Done |
|---|---|---|---|
| | £ per tonne | | |
| June | 99.00-101.0 | —0.50 | — |
| August | 102.70-02.8 | —0.25 | 103.00-01.80 |
| October | 101.80-01.8 | +0.85 | 101.70-00.80 |
| December | 105.00-05.3 | —0.40 | 105.50-04.80 |
| February | 107.80-08.5 | —0.50 | 108.50-08.00 |
| April | 109.80-11.8 | —0.50 | — |
| June | 110.00-13.8 | —2.75 | — |

Sales: 65 (24) lots of 100 tonnes.

## SUGAR

LONDON DAILY PRICE (raw sugar): £310.00 (£330.00) a tonne cif for June-July shipment. White sugar daily price was £330.00 (£350.00).

The market opened with August at £360, some £15 below its overnight level. Thereafter buyers/sellers were generally well matched throughout the day within a £5 trading range, reports C. Czarnikow.

| Sugar Pref. Comm. Con. | Yest'rdays Close | Previous Close | Business Done |
|---|---|---|---|
| | £ per tonne | | |
| Aug. | 361.50-62.75 | 382.80-82.90 | 385.00-57.00 |
| Oct. | 367.55-67.60 | 387.05-87.20 | 89.50-356.00 |

Sales: 11,738 (7,516) lots of 50 tonnes.

NUMBER 4 CONTRACT—Close (in order: buyer, seller only). Aug. 345.00, 348.00; Oct. 361.00, 362.50; Jan. 368.20, 369.00; March 371.00, 371.50; May 368.75, 369.00; Aug. 360.00, 364.00; Oct. 354.00, 360.00. Sales: 1,965 (1,246).

Tate and Lyle ex-refinery price for granulated basis white sugar was £324.7 (same) a tonne for home trade and £451.50 (£470.50) for export.

International Sugar Agreement (U.S. cents per pound fob and stowed Caribbean port). Prices for June 2: Daily price 32.81 (34.45); 15-day average 32.97 (32.74).

## COTTON

LIVERPOOL—Spot and shipment sales amounted to 100 tonnes, bringing the total for the week so far to 260 tonnes. Minor replenishment buying occupied most of the attention of traders. Business generally was light, centred on North and South American and African qualities.

## WOOL FUTURES

LONDON NEW ZEALAND CROSSBREDS—Close (in order buyer, seller, business, sales). New Zealand cents per kilo. Aug. 377, 385, nil, nil; Oct. 378, 385, 378, 5; Dec. 378, 385, 378, 5; Jan. 379, 385, 382, 5; March 382, 390, 385-383, 5; May 384, 387, 385, 4; Aug. 385, 385, 386, 2; Oct. 385, 395, nil, nil; Dec. 385, 395, nil, nil. Sales: 26.

SYDNEY GREASY WOOL—Close (in order buyer, seller, business, sales). Australian cents per pound. July 485.0, 490.0-460.0, 316; Oct. 474.0, 475.0, 478.0-473.5, 187; Dec. 474.0, 475.0, 478.0-473.0, 179; March 476.0, 477.0, 480.0-475.1, 33; May 478.0, 480.0, 479.9-477.0, 36; July 480.0, 481.0, 483.0-483.0, 1; Oct. 482.0, 485.0, 482.0-482.0, 6; Dec. 483.0, 487.0 —. Sales: 758.

## JUTE

JUTE—June/July c and f. Dundee: BWC £214, BWD £186, BTB £265, BTC £226, BTD £193. Antwerp June/July: BWC $491, BWD $410, BTB $630, BTC $528, BTD $458. Jute goods c and f Dundee: June 40 inch 10 ounce £13.21, 40 inch 7.5 ounce £10.28. "B" Twills £31.11.

## MEAT/VEGETABLES

SMITHFIELD—Pence per pound. Beef: Scottish killed sides 67.0 to 73.0; Eire hindquarters 83.0 to 86.0, forequarters 45.0 to 49.0. Veal: Dutch hinds and ends 102.0 to 104.0. Lamb: English small, new season 74.0 to 80.0. Imported frozen: NZ PL 60.0 to 60.5, PM 58.0 to 58.5. Pork: English, under 100 lb 41.0 to 50.0, 100-120 lb 40.0 to 48.0, 120-160 lb 39.0 to 46.0.

MEAT COMMISSION—Average fatstock prices at representative markets on June 3. GB—Cattle 83.65p per kg liveweight (+0.89). UK—Sheep 159.14p per kg edcw (+4.55). GB—Pigs 67.49p per kg liveweight (+2.65).

COVENT GARDEN—Prices in sterling per package except where otherwise stated: Imported Produce: Oranges—Jaffa: Valencia Lates 50/189's 4.15-5.60; Egyptian: Valencia Lates 75/125's 2.50-2.60; Moroccan: 54/113's 3.80-4.80; Arizona: Valencia Late 72/113's 4.90-5.70; Outspan: Navels 3.80-4.30. Lemons—Italian: 100/150's 4.20-4.50; Spania: Trays 25/45's 1.80-2.30, boxes 4.80-5.50; Outspan: Boxes 4.80-6.20, trays 2.50-2.80. Grapefruit—Cyprus: 20 kg 4.50-6.00; Jaffa: Boxes 40/56's 4.80-5.30; Outspan: 3.95-4.55. Apples—New Zealand: Sturmer Pippins 8.20; Tasmanian: Jonathans 8.20-8.50, Golden Delicious 7.30-7.50, Crofton 8.50, Sturmer Pippins 8.00-8.50; Chilean: Granny Smith large boxes 126/150's 7.50; S. African: Golden Delicious 9.00-9.40, Starking 7.30-8.50, White Winters 125/180's 6.70-7.00, Granny Smith 8.00-8.30; Argentine: Red Delicious 8.80; Dutch: Golden Delicious 2.30 22 lb; French: Golden Delicious, boxes 40 lb 138/198's 4.80-6.00, 20 lb 3.10-3.30; Italian: Jonathans/Romes 40 lb 5.40, Winesaps 5.00. Pears—S. African: Approx. 25 lb Beurre Bosc 7.20-7.50, Packham's 8.60-9.20; Italian: Passacrassane 12 lb 1.90-2.10; Victorian: Josephines 9.50-10.00, Packham's 9.50-10.50, Winter Nelis 8.30-8.50; South African: Winter Nelis 7.50-8.00. Peaches—Spanish: Yellow flesh 2.50-4.30. Apricots—Spanish: 2.50-4.00. Grapes—S. African: Barlinka 7.80, Golden Hill 8.00, Almeria 8.00; Chilean: Emperor 6.70. Strawberries—Per punnet, Italian: 0.25-0.30; Spanish: 0.30. Cherries—Per pound, French: 0.80; American: 1.00. Melons—Israeli: Galia 6.00; Spanish: 8/11's 5.00, Ogens 4.50; Mariana 6 kg 2.50. Water Melons—Israeli: 6.00; Spanish: 4.00-4.50. Avocados—S. African: 3.40-3.50. Bananas—Jamaican: 28 lb, per pound 0.19. Tomatoes—Dutch: 4.10-4.20; Guernsey: 4.00-4.30; Jersey: 4.00-4.20. Onions—Dutch: 6.30; Spanish: 5.50; Egyptian: 6.30-6.50. Potatoes—Cyprus: New crop 20 kg 3.80; Jersey: Per pound 0.14; Valencia: 44 lb 3.00; Majorcan: 44 lb 4.50-4.60; French: Dukes 5.60, Princes 4.60; Greek: 3.60-3.80. Carrots—French: 4.60; Italian: 3.50; Cyprus: 3.40. Beetroots—Cyprus: New crop, approx. 28 lb 3.40; Italian: 2.50. Cabbages—Dutch: White 2.80-3.00. Asparagus—Hungarian: Per bundle 0.80. Courgettes—French: Per pound 0.30.

English Produce: Potatoes—Per bag 2.20-2.30; Mushrooms—Per pound 0.65-0.70. Apples—Per pound Bramley 0.10-0.16. Strawberries—English per ½ lb 0.20-0.25. Greens—1.50. Cabbages—Per bag 2.20. Cauliflowers—Per 12's English 3.00-4.50. Cucumbers—Trays 16/20's 1.80-2.20. Tomatoes—Per 12 lb 3.80-4.20. Lettuce—Per 12 round 0.50-0.60. Rhubarb—Per pound outdoor 0.06. Onions—Per bag 6.50-7.00. Beetroots—Per bag, round 1.50, long 2.00. Celery—English 12/30's 4.20-5.00. Asparagus—Per pound 0.80-1.00.

GRIMSBY FISH — Supply moderate, demand poor. Prices at ship's side (unprocessed) per stone: Shelf cod £4.00-£5.00, codlings £3.00-£3.80. Large haddock £3.60-£4.20, medium £3.60-£4.00, small £2.60-£3.40. Large plaice £5.00-£5.50, medium £4.60-£5.50, best small £4.00-£5.00. Skinned dogfish (large) £11.00, (medium) £9.20. Lemon soles (large) £8.00 (medium) £7.50. Rockfish £2.50-£3.00. Reds £2.50-£3.00. Saithe £2.00-£2.50.

## PRICE CHANGES

In tonnes unless otherwise stated.

| | June 3 1980 | + or — | Month ago |
|---|---|---|---|
| **Metals** | | | |
| Aluminium | £810/815 | ........ | £810/815 |
| Free Mkt | $1690/1720 | ........ | $1780/10 |
| Copper | | | |
| Cash w'bar | £893 | +5.5 | £877.5 |
| 3 mths | £914.25 | +1.75 | £903.25 |
| Cash Cathode | £867 | +0.50 | £865.5 |
| 3 mths | £891 | —0.50 | 1.5 |
| Gold troy oz | $553 | —5.5 | $5..0.5 |
| Lead cash | £324.5 | +14 | £369 |
| 3 mths | £327 | +11.5 | £367.75 |
| Nickel | £3,535.5 | ........ | £3,335 |
| Freemkt(cif lb | 265/285c | ........ | 265/305c |
| Platin'mtr'y oz | £189-195 | ........ | £188/195 |
| Free mkt | £264.15 | +8.45 | £243.25 |
| Quicksil'vert | $390/400 | ........ | $385/395 |
| Silver troy oz | 605.80p | —18.15 | 555.60p |
| 3 months | 628p | —17.45 | 573.30p |
| Tin Cash | £7,490 | +15 | £7,710 |
| 3 mths | £7,367.5 | +47.5 | £7,465 |
| Tungsten22.04lb | $142.49 | ........ | $144.50 |
| Wolfrm 22.04 lbs | $138/143 | ........ | $138/143 |
| Zinc cash | £297.50 | +1.5 | £299 |
| 3 months | £308.5 | +1 | £309.75 |
| Producers | $780-825 | ........ | $780/825 |
| **Oils** | | | |
| Coconut (Phil) | $615v | ........ | $565 |
| Groundnut | ‡ | ........ | ‡ |
| Linseed Crude | £404 | ........ | £400 |
| Palm Malayan | $555w | ........ | $567.50 |
| **Seeds** | | | |
| Copra Philip | $420 | —10 | $560 |
| Soyabean(U.S.) | $261 | —4.8 | $255.60 |
| **Grains** | | | |
| Barley Futures | £95.65 | +0.15 | £91.15 |
| Maize | | | |
| French No3AM | ‡ | ‡ | ‡ |
| Wheat | | | |
| No. 1 Red Spg. | ‡ | ........ | ‡ |
| No2HardWint | ‡ | ........ | ‡ |
| Eng. Milling† | ‡ | ........ | ‡ |
| **Other commodities** | | | |
| Cocoa ship.t | £1,135 | +15 | £1,252 |
| Future Sept. | £1,081.5 | +10 | £1,216 |
| CoffeeF't'Sept. | £1784.5 | +16 | £1,714.5 |
| Cotton A.Index | 85.30c | —0.50 | 88.55c |
| Rubber (kilo) | 57.00p | —0.25 | 62p |
| Sugar (Raw) | £310 | —20 | £282 |
| Wooltp's 64s kl | 295p kilo | ........ | 292pkilo |

u June. s June/July. w Aug. x July. z Indicator. § Buyer. ‡ Per 276-lb flask.

# AMERICAN MARKETS

NEW YORK, June 3.

COPPER DECLINED on commission house selling taking its direction from the precious metals. Commission house liquidation also pressured sugar down the limit. Coffee advanced on the Brazilian freeze scare. Cocoa rallied on commission house short-covering prompted by lack of follow-through selling. Cotton was mixed in quiet trade. Maize and soyabeans were higher in improved crop progress. Wheat posted gains due to increased export business. The livestock complex rallied on short-covering, reported Heinold.

Potatoes (round whites)—Nov. 74.7 (74.4), March 88.9 (87.7), April 99.0. Sales: 450.

Tin—778.00-790.00 asked (788.00-795.00).

CHICAGO, June 3.

Lard—Chicago loose 17.50 (same). New York prime steam unavailable.

Chicago Imm Gold—June 557.00-556.00 (566.0), July 562.00 (571.0), Sept. 575.00-573.50, Oct. 579.00, Dec. 591.00-592.00, Jan. ——, March 608.50, April 614.00.

Live Cattle—June 64.57-64.50 (64.27), Aug. 63.50-63.35 (63.87), Oct. 62.35-62.25, Dec. 63.65-63.55, Jan. 64.30, Feb. 64.70-64.50, April 65.15-65.10.

Live Hogs—June 32.90-32.75 (32.57), July 34.20-34.25 (33.90), Aug. 33.50-33.40, Oct. 34.35-34.15, Dec. 37.20, Feb. 40.25-40.30, April 39.60, June 42.80, July 43.80.

‡‡Maize—July 275½-275¼ (273¾), Sept. 284½-284¾ (282¾), Dec. 292½-292, March 303¾, May 311, July 316-315½.

Pork Bellies—July 28.75-29.05 (28.00), Aug. 28.70-28.85 (28.02), Feb. 41.80-41.90, March 41.90, May 42.45, July 43.25, Aug. 42.65.

†Soyabeans—July 618-619 (615¾), Aug. 627-628 (622½), Sept. 634-635, Nov. 647½-649, Jan. 663-662½, March 678½, May 692, July 699.

‖Soyabean Meal — July 169.7-169.8 (168.3), Aug. 171.5 (171.1), Sept. 174.4-174.5, Oct. 177.0, Dec. 181.5-181.3, Jan. 183.3, March 187.3-187.5, May 191.0-191.5, July 194.0-194.5, Aug. ——.

Soyabean Oil—July 21.38-21.35 (21.1), Aug. 21.60-21.62 (21.33), Sept. 21.80, Oct. 22.05-22.00, Dec. 22.40-22.35, Jan. 22.55-22.50, March 22.90, May 23.25, July 23.40, Aug. 23.40.

†Wheat—July 405-404 (397¾), Sept. 416½-417 (411¾), Dec. 434½-434, March 449½-449, May 457½-455, July 460.

WINNIPEG, June 3. §Barley—July 125.00 (124.30), Oct. 120.60-120.70 (120.00), Dec. 119.50, March 119.30.

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton (2,000 lbs). § $Can. per metric ton. §§ $ per 1,000 sq. feet. ‡ Cents per dozen.

# EUROPEAN MARKETS

ROTTERDAM, June 3.

Wheat—U.S. No. 2 Red Winter July $177, Aug. $180, Sept. $181. U.S. No. 2 Northern Spring, 14 per cent, June $191.50, July $192.50, Aug. $195, Sept. $196, Oct. $199, Nov. $202, Dec. $207. Rest unquoted.

Maize—Spot $144, June $135.25, July $136.25, Aug. $138.50, Sept. $140, Oct.-Dec. $144, Jan.-March $152.50 sellers, June $135 traded.

Barley—June $143.50, July $145.75, Aug. $148.

Soyabeans—U.S. Two Yellow Gulfports afloat $265, May $257, June $256.50, July $257.25, Aug. $259, Sept. $262.75, Oct. $264.50 sellers, Nov. $264.50, Dec. $270, Jan. $273.75, Feb. $279, March $282.25 sellers. Argentine June-July $251, Aug. $253.50, Sept. $259.50, Oct. $263.60 sellers.

Soyameal—44 per cent protein U.S. afloat $218, June $217.50, July $218.50, Aug. $220, Sept. $223, Nov.-March $253.50. Brazil Pellets afloat $226, June $221, July $222, Nov.-March $245.

PARIS, June 3.

Cocoa (FFr per 100 kilos)—July 1050, Sept. 1045-1050, Dec. 1070-1075, March 1095-1115, May 1120-1140, July 1130-1150. Sales at call 0.

Sugar (FFr per 100 kilos)—July 3210-3290, Aug. 3305-3315, Oct. 3425-3430, Nov. 3405, Dec. 3515-3530, March 3635-3650, May 3665, July 3670. Sales at call 37.

## INDICES

### FINANCIAL TIMES

| Jun 2 | May 30 | M'nth ago | Year ago |
|---|---|---|---|
| 265.30 | 268.23 | 276.59 | 284.95 |

(Base: July 1, 1952=100)

### MOODY'S

| Jun 2 | May 30 | M'nth ago | Year ago |
|---|---|---|---|
| 1124.6 | 1118.7 | 1119.6 | 1070.1 |

(December 31, 1931=100)

### DOW JONES

| Dow Jones | June 2 | May 30 | Month ago | Year ago |
|---|---|---|---|---|
| Spot | 414.92 | 422.64 | 404.03 | 406.51 |
| F'tur's | 442.34 | 448.54 | 416.96 | 407.13 |

(Average 1924-25-26=100)

### REUTERS

| June 3 | June 3 | M'nth ago | Year ago |
|---|---|---|---|
| 1678.6 | 1694.1 | 1702.9 | 1685.7 |

(Base: September 18, 1931=100)

# Hint of change in strict monetary policy lifts markets
# Gilts rally well and 30-share index rises 7.3 to 420.0

**Account Dealing Dates**
**Options**

| *First Dealings | Declarations | Last Dealings | Account Day |
|---|---|---|---|
| May 12 | May 28 | May 30 | June 9 |
| June 2 | June 12 | June 13 | June 23 |
| June 16 | June 26 | June 27 | July 7 |

* "New time" dealings may take place from 9 am two business days earlier.

The possibility of a change in the Government's strict monetary strategy instigated a sharp about-turn in London stock markets yesterday. Overnight consideration of the proposed EEC deal prompted a slightly more optimistic appraisal of the chances of an early reduction in Minimum Lending Rate and the Gilt-edged market, in particular, was later enthused by the Prime Minister's remarks relating to the reduced EEC contribution, the Public Sector Borrowing Requirement and interest rates.

A small but persistent demand throughout the session for Gilt-edged securities brought a good early recovery. The tempo of business increased just before the close and in the after-hours' trade following Mrs. Thatcher's statement, but subsided almost as quickly and the longs settled ¾ higher, after a point in some cases. Thus, most of the previous day's loss, prompted in part by fears of the likelihood of the new medium tap overhanging the market was regained. The rally in the shorts finally extended to ½.

For the first time in just over two weeks, the equity leaders staged a useful recovery. Largely technical and professional at first, demand became more genuine after the early improvement and closing quotations for the leaders were matching the day's best. The FT 30-share index, as a result, settled 7.3 up on the day at 420.0, its biggest single-day rise since February 28.

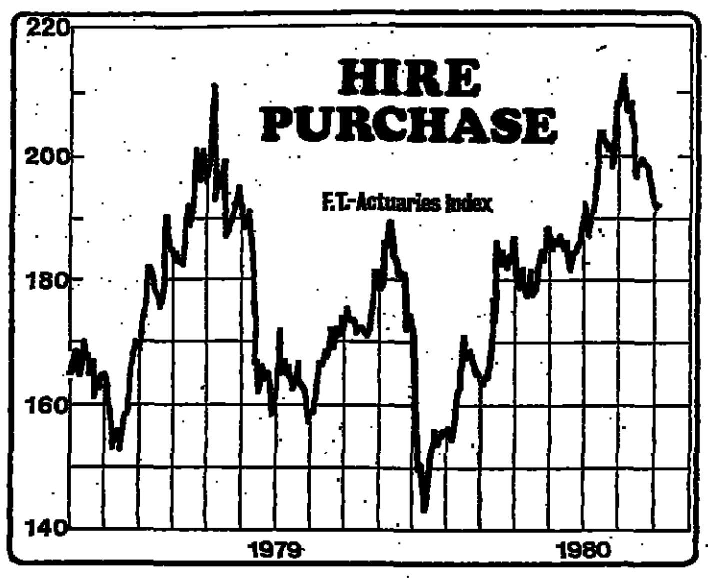
South African mining shares sustained a sharp setback following the bombing attacks on the Sasol oil refinery plants. The downturn, however, mainly reflected precautionary marking down by jobbers, but the FT Gold Mines index still finished 18.2 lower at 321.0.

## Ottoman below best

Demand for Traded options continued to improve and 1,020 deals were completed, the first four-figure total since mid-April. Shell attracted 247 contracts, while other active issues included Courtaulds, Grand Metropolitan and Land Securities.

Restaurant concern, Kennedy Brookes, staged a successful market debut; placed at 60p, the shares opened at 63p and, in a very restricted market, being dealt under a special rule, advanced to 74p.

Speculative support again arose for the overseas Ottoman Bank ahead of possible developments at tomorrow's annual meeting and, in busy trading, the shares price moved up to a 1980 high of £70 before reacting on profit-taking to close only a point better on balance at £64. Elsewhere, the major clearers made progress on technical influences. Still benefiting from recent publicity given to a broker's favourable circular, both Lloyds and Midland hardened 5 to 295p and 325p respectively. Among merchant banks, Wintrust rose 3 to 67p, while Antony Gibbs closed a similar amount dearer at 86p Hongkong and Shanghai's bid for the latter has been declared unconditional.




Firmer conditions returned to Composite Insurances, although the volume of business was small. Commercial Union improved 3 to 130p and Eagle Star edged forward 2 to 172p.

Breweries revived with Whitbread 3 better at 143p and Allied annual results expected next Tuesday, a fraction firmer at 75½p. Among regional issues, renewed speculative demand lifted Davenports 5 to 116p, while interest was also shown in Eldridge Pope, a similar amount up at 317p. Among Wines and Spirits, Distillers added a couple of pence at 186p, but other issues turned lower in belated response to adverse Press comment. Arthur Bell, 173p, and Tomatin, 163p both gave up 3, while Amalgamated Distilled Products shed to to 35p.

Leading Buildings edged higher, Costain improving 4 to 132p and Blue Cirle hardening 2 to 316p. London Brick added a penny at 71p. Secondary issues plotted an irregular course. Dereck Crouch stood out, rising 17 to 135p in a limited market following a buy recommendation, while S.G.B. firmed 6 to 142p and Marchwiel 3 to 81p. Erith attracted late support and improved 3 to 66p, while Armitage Shanks, preliminary results today, hardened a penny to 87p.

ICI, a poor market of late on sterling influences, rallied smartly on bear closing to close 10 up at 360p.

Store leaders reflected the generally firmer trend, although actual trade was often thin. Debenhams attracted speculative support and rose 3 to 73p, while House of Fraser, 140p, and Mothercare, 228p, both added 2. UDS held at 65p, despite the chairman's cautious remarks on current trading. Selected secondary counters met with buyers and ended with modest gains. Owen Owen added a couple of pence at 126p, while Currys rallied 3 to 170p. Time Products, annual results today, picked up 1½ at 66½p and Selincourt firmed a fraction to 15¼p after the annual report. Revived interest was shown in Lee Cooper 10 higher at 203p, but the effects of the full-year loss were still apparent on Cope Sportswear, down another penny at 19p.

## Electricals recover

Speculative Electricals, dull recently after adverse comment, attracted renewed support and closed with gains to 14. Farnell rose that much to 260p, while similar rises were seen in Electrocomponents, 498p, and United Scientific, 493p. Unitech added 6 at 268p. The leaders also made useful headway. GEC, 348p, Thorn, 264p, and Plessey, 140p, all added 4, while Racal picked up 3 to 234p following the chairman's announcement of the restructuring of newly-acquired Decca.

Emerging from their recently depressed levels, leading Engineerings made useful progress in sympathy with the general trend. Largely on technical considerations, GKN picked up 4 to 234p and Hawker closed a similar amount better at 162p, after 164p. Tubes edged forward only 2 to 242p, as did Vickers to 109½p. Elsewhere, Northern Engineering Industries hardened 1½ to 39p in response to Press coment and Francis Industries gained 2 to 60p following the chairman's encouraging remarks at the annual meeting. A particularly weak counter of late following the Board's recent forecast of substantially lower half-year profits, Babcock International rallied 3 to 79p, similar improvements were established by James Neill, 49p, and Renold, 59p. Wadkin, however, provided an isolated dull feature, falling 8 to 87p on lack of support.

Foods were featured by J. Sainsbury, which rose 10 to 355 following the annual report and £132m property revaluation. Other Retailers made progress with gains of 4 common to Associated Dairies, 170p, Fitch Lovell, 70p, and Linfood 129p. Elsewhere, Bernard Matthews advanced 15 to 190p in a thin market, while Somportex gained 10 to a 1980 peak of 150p.

Renewed investment buying lifted Grand Metropolitan 5 to 135p and Trusthouse Forte 3 to 171p among Hotels and Caterers.

## Reed Int. jump

Miscellaneous industrial leaders took a distinct turn for the better when, aften an initial mark-up, prices were pushed higher by revived investment support. Closing gains ranged to 9 although Reed International at 176p, scored an above-average rise of 13 following the satisfactory preliminary profits. Unilever put on 9 to 426p, Glaxo added 8 to 194p, while Becham, 119p, Bowater, 165p, and Turner and Newall, 95p, all rose 5. Elsewhere, De La Rue advanced 25 to 645p in response to the better-than-expected preliminary results, and Sketchley gained 6 to 239p, after 240p, for a similar reason. Buying on hopes that the group's flotation of its South West Consolidated Minerals subsidiary on Thursday will be a success helped Dundonian put on 6 to 81p, after 82p. Still reflecting the chairman's encouraging annual statement, European Ferries added 7 more for a two-day rise of 15 at 144p, while a resurgence of speculative support lifted Marshalls Universal 6 to 72p and Booker McConnell 8 to 228p. Scotcros added 4 to 126p on the results and BET rose 5 to 123p on consideration of its North Sea oil interests. Letraset recovered from recent weakness with a rise of 6 to 114p.

Buying ahead of tomorrow's half-yearly results lifted Pleasurama 7 to 150p. Among other Leisure issues, Norton and Wright rose 5 to 75p in a restricted market.

Newspapers often trended firmer and Daily Mail A closed 5 up at 463p. Elsewhere, Transparent Paper jumped 7 to 46p in reply to better-than-anticipated preliminary results.

A couple of pence firmer awaiting the half-yearly results, MEPC moved ahead to 205p on the announcement of sharply increased income, before settling at 204p for a net gain of 3. Other Properties took a firmer line, having been subdued of late; the Prime Minister's hint of lower interest rates gave a little extra impetus late. Land Securities finished 3 higher at 328p, while Great Portland Estates added 4 at 230p. British Land picked up 3 to 77p and Berkeley Hambro hardened 5 to 195p. Elsewhere, Rush and Tompkins, a rising market of late on bid rumours, lost 4 to 204p, after 200p, on the Board's denial of a bid approach. Mountview Estates eased a penny to 128p awaiting today's preliminary results.

## Oils lively

Oils met with a brisk two-way business. British Petroleum, first-quarter figures tomorrow, touched 348p before reverting to 344p, unaltered on balance, while Shell finished a couple of pence firmer at 390p, after 392p. Tricentrol, 354p, and Ultramar, 352p, ended marginally lower, while Lasmo, a rising market of late on the chairman's reassuring remarks about Ninian Field production, eased 10 to 670p. Century put on 7 for a two-day gain of 18 to 172p in response to the sharply increased annual profits and 100 per cent scrip issue. Renewed speculative support lifted Aran Energy 16 to 420p, after 424p, and Attock 10 to 278p, while Siebens UK advanced 40 to 950p, the last-named ahead of today's share-split. Clyde continued to attract buyers, the Ordinary and New Nil Paid shares adding 15 apiece to 523p and 325p premium respectively.

## Golds under pressure

In Overseas Traders, Harrison and Crosfield, at 712p, regained an initial fall of 12 which followed the slightly disappointing preliminary statement. Thomas Borthwick, dull of late on the first-half deficit and passed dividend, rallied a couple of pence to 32p.

Shipping turned firmer. P&O Deferred added 2 at 11p, while Milford Docks found support and ended 15 up at 135p.

Selected stocks attracted interest among recently lacklustre Textiles. John Beales fell 3 to 22p in front of Friday's annual figures, but satisfactory results helped Parkland, 34p, and Atkins Brothers (Hosiery), 43p, improve 2 apiece. Sirdar encountered fresh speculative support and rose 6 to 84p.

The recent outbreak of civil unrest in South Africa and news of labour trouble at the Stilfontein gold mine put the gold sharemarket under pressure. Sentiment was further upset by a $5.50 decline in the bullion price to $553 an ounce.

Share prices were marked down sharply at the outset and continued to lose ground throughout the day following persistent, although generally small-scale, selling from local and international sources.

The labour troubles encouraged heavy selling of Stilfontein, which dropped 80 to 770p. Heavyweights sustained losses ranging to around £1¼, as in West Driefontein, £36¼, Free State Geduld, £22¾, and Western Holdings, £27⅜.

Medium and lower-priced stocks showed Harmony 68 off at 835p, and Welkom and Doornfontein around 50 cheaper apiece at 535p and 610p respectively.

The weakness of Golds spilled over into Financials where Gold Fields of South Africa were heavily sold and were finally £2⅝ down at £31¼. Amgold gave up £1¼ at £35¼ and Anglo American Corporation 10 to 565p.

London issues fell away but losses were by no means as severe as those in South Africans. Gold Fields dipped 10 to 462p after 460p, and Rio Tinto-Zinc 5 to 365p; the price shown for RTZ in Tuesday's issue was incorrect.

A further lively two-way trade was reported in Australians. The market opened on an easier note, reflecting the trend in overnight domestic markets, but subsequently rallied strongly after-hours led by the oil sector.

## LONDON TRADED OPTIONS

| Option | Ex'rcise price | July Closing offer | July Vol. | Oct. Closing offer | Oct. Vol. | Jan. Closing offer | Jan. Vol. | Equity close |
|---|---|---|---|---|---|---|---|---|
| BP | 300 | 56 | 1 | 66 | — | 82 | — | 346p |
| BP | 330 | 34 | 10 | 46 | 1 | 64 | — | " |
| BP | 360 | 17½ | 10 | 33 | 10 | 46 | — | " |
| Com. Union | 120 | 14 | 6 | 20 | — | 24 | — | 129p |
| Com. Union | 140 | 3 | — | 9 | 4 | 13 | 1 | " |
| Cons. Gold | 420 | 58 | 2 | 80 | — | 90 | — | 460p |
| Cons. Gold | 460 | 28 | 3 | 54 | — | 64 | 2 | " |
| Cons. Gold | 500 | 13 | 1 | 32 | 1 | 46 | — | " |
| Cons. Gold | 550 | 3 | — | 16 | — | — | — | " |
| Courtaulds | 70 | 5 | 104 | 6½ | 15 | 8½ | 3 | 66p |
| Courtaulds | 80 | 1 | — | 3 | 1½ | 16 | — | " |
| GEC | 330 | 31 | 1 | 46 | — | 60 | — | 348p |
| GEC | 360 | 12 | 31 | 27 | — | 40 | — | " |
| GEC | 390 | 4 | 10 | 14 | 10 | 26 | 3 | " |
| Grand Met. | 130 | 9 | 19 | 15 | 9 | 19½ | — | 134p |
| Grand Met. | 140 | 4 | 61 | 9 | 17 | — | — | " |
| ICI | 330 | 15 | 11 | 26 | — | 38 | — | 358p |
| ICI | 360 | 5½ | 70 | 12 | 5 | 24 | — | " |
| Land Secs. | 300 | 35 | 50 | 54 | — | 68 | — | 328p |
| Land Secs. | 330 | 11 | 52 | 34 | — | 46 | — | " |
| Land Secs. | 360 | 3 | 25 | 15 | — | 29 | — | " |
| Marks & Sp. | 90 | 2½ | 1 | 6½ | 27 | 9 | 1 | 84p |
| Shell | 330 | 70 | 5 | 80 | — | 92 | — | 391p |
| Shell | 360 | 41 | 45 | 52 | — | 65 | 9 | " |
| Shell | 390 | 18 | 118 | 30 | 15 | 44 | — | " |
| Shell | 420 | 6 | 20 | 15 | — | 27 | — | " |
| Totals | | | 664 | | 157 | | 19 | |
| | | August | | November | | February | | |
| Imperial Gp. | 70 | 10 | 12 | 11 | 15 | 14 | — | 76p |
| Imperial Gp. | 80 | 3 | 25 | 4½ | 32 | 7½ | — | " |
| Lonrho | 80 | 7½ | 59 | 10 | 32 | 12½ | 1 | 80p |
| Lonrho | 90 | 3½ | 6 | 6 | — | 8 | — | " |
| P. & O. | 100 | 17 | 1 | 21½ | — | 22½ | — | 111p |
| Racal Elec. | 220 | 75 | 2 | 55 | — | 45 | — | 234p |
| Racal Elec. | 240 | 12 | 20 | 25 | — | 34 | — | " |
| Racal Elec. | 260 | 7 | 1 | 16 | — | — | — | " |
| RTZ | 330 | 65 | 3 | 67 | — | — | — | 364p |
| RTZ | 360 | 5 | — | 42 | 2 | 63 | 2 | " |
| Totals | | | 128 | | 60 | | 5 | |

## FINANCIAL TIMES STOCK INDICES

| | June 3 | June 2 | May 30 | May 29 | May 28 | May 27 | A year ago |
|---|---|---|---|---|---|---|---|
| Government Secs. | 67.47 | 67.11 | 67.70 | 67.67 | 68.03 | 68.39 | [illegible] |
| Fixed Interest | 68.20 | 68.12 | 68.42 | 68.43 | 68.59 | 68.95 | [illegible] |
| Industrial | 420.0 | 412.7 | 416.8 | 417.6 | 416.6 | 420.0 | [illegible] |
| Gold Mines | 321.0 | 339.2 | 332.8 | 334.4 | 332.3 | 317.7 | [illegible] |
| Ord. Div. Yield | 6.66 | 6.69 | 6.63 | 6.61 | 6.60 | 6.55 | [illegible] |
| Earnings, Yld. % (full) | 20.74 | 21.09 | 20.95 | 20.89 | 20.93 | 20.78 | [illegible] |
| P/E Ratio (net) (*) | 5.85 | 5.75 | 5.79 | 5.80 | 5.80 | 5.85 | [illegible] |
| Total bargains | 19,958 | 19,195 | 20,970 | 18,261 | 20,099 | 18,072 | [illegible] |
| Equity turnover £m | — | 94.00 | 116.24 | 88.66 | 98.82 | 100.00 | [illegible] |
| Equity bargains total | — | 14,674 | 16,716 | 15,763 | 13,673 | 18,375 | [illegible] |

10 am 417.2. 11 am 417.2. Noon 418.1. 1 pm 420.0. 2 pm 420.0. 3 pm 419.3.

Latest Index 01-246 8026.

* Nil=5.46.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

### HIGHS AND LOWS

| | 1980 High | 1980 Low | Since Compilat'n High | Since Compilat'n Low |
|---|---|---|---|---|
| Govt. Secs. | 69.25 (21/1) | 63.66 (7/5) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Int. | 69.61 (21/1) | 64.70 (16/5) | 150.4 (28/11/47) | 50.53 (3/1/75) |
| Ind. Ord. | 478.8 (15/2) | 406.9 (3/1) | 558.6 (4/5/79) | 49.4 (26/6/40) |
| Gold Mines | 377.9 (22/2) | 265.5 (18/3) | 442.3 (22/5/75) | 43.5 (26/10/71) |

### S.E. ACTIVITY

| | June 3 | June 2 |
|---|---|---|
| Daily | | |
| Gilt Edged | 112.4 | [illegible] |
| Industrials | 109.1 | 109 [illegible] |
| Speculative | 45.6 | 48.7 |
| Totals | 78.0 | 72.2 |
| 5-day Avrge. | | |
| Gilt Edged | 102.1 | 103 [illegible] |
| Industrials | 108.7 | 109 [illegible] |
| Speculative | 39.6 | 36 [illegible] |
| Totals | 75.4 | 75 [illegible] |

## NEW HIGHS AND LOWS FOR 1980

The following shares quoted in the share Information Service yesterday attained new Highs and Lows for 1980.

**NEW HIGHS (30)**

BANKS (2)
Gibbs (A.) Ottoman Bank

BUILDINGS (1)
Crouch (D.)

CHEMICALS (1)
Novo Inds. B

FOODS (3)
Matthews (B.) Sainsbury (J.) Somportex

INDUSTRIALS (4)
Dundonian Hanson Trust
European Ferries Scotcros
Gosforth

INSURANCE (1)
Provident

MOTORS (1)
Herman Smith

PROPERTY (1)
Dares Estates

SHIPPING (1)
Fisher (J.)

OIL & GAS (12)
Aran Energy Siebens U.K.
Attock Ultramar
Berkeley Explorn. Do. 7pc Conv.
Century Weeks Petroleum
Clyde Petroleum Do. Pfd. Ord.
LASMO [illegible]
Pict Petroleum

RUBBERS (1)
Malakoff

**NEW LOWS (54)**

BUILDINGS (7)
Amal. Dist. Prods. [illegible]
Arncliffe Leech (Wm.)
Barratt Devs. Morrison [illegible]
Cement-Roadstone Roberts Adlard
Glossop (W. & J.)

CHEMICALS (2)
Arrow Chemicals Halstead (J.)

STORES (4)
Comet Radio [illegible]
Cope Sportswear Walker (James)

ELECTRICALS (1)
Dale Elec.

ENGINEERING (6)
Birmingham Pallet Pegler-Hattersley
Cartwright (R.) Startrite
Deport Utd. Wire

INDUSTRIALS (15)
Amal. Metal Lonsdale Universal
Arenson (A.) M.Y. Dart
Bogod-Pelepah A. Nash (J. F.)
Burco Dean Press (Wm.)
Centreway R.F.D.
Chamberlain Phipps Redfearn Nat. Glass
Dalgety Reed Executive
[illegible]

LEISURE (1) [illegible]
MOTORS (2) [illegible]
PAPER (1) [illegible]
PROPERTY (1) [illegible]
SHOES (2) [illegible]
TEXTILES (3) [illegible]
TRUSTS (1) [illegible]
OVERSEAS TRADERS (1) [illegible]
MINES (1) [illegible]

## RISES AND FALLS YESTERDAY

| | Up | Down | Same |
|---|---|---|---|
| British Funds | 78 | 3 | 7 |
| Corpns. Dom. and Foreign Bonds | 12 | 5 | 46 |
| Industrials | 297 | 163 | [illegible] |
| Financial and Prop. | 137 | 74 | 291 |
| Oils | 25 | 9 | 18 |
| Plantations | 4 | 7 | [illegible] |
| Mines | 20 | 75 | 50 |
| Others | 61 | 36 | [illegible] |
| Totals | 632 | [illegible] | [illegible] |

## FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section

| | Equity groups & sub-sections | Tues., June 3, 1980 Index No. | Day's Change % | Est. Earnings Yield % (Max.) | Gross Div. Yield % (ACT at 30%) | Est. P/E Ratio (Net) | Mon., June 2 Index No. | Fri., May 30 Index No. | Thurs., May 29 Index No. | Wed., May 28 Index No. | Year ago (approx.) Index No. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | CAPITAL GOODS (172) | 224.41 | +0.9 | 19.61 | 7.15 | 6.30 | 222.42 | 223.58 | 224.08 | 224.44 | 265.51 |
| 2 | Building Materials (28) | 221.68 | +0.4 | 19.54 | 7.39 | 6.28 | 220.84 | 222.89 | 223.59 | 223.12 | 249.36 |
| 3 | Contracting, Construction (27) | 339.83 | +0.8 | 27.75 | 7.12 | 4.29 | 337.10 | 338.96 | 339.74 | 341.72 | 405.00 |
| 4 | Electricals (16) | 593.49 | +1.2 | 14.11 | 4.26 | 9.19 | 586.37 | 588.83 | 587.81 | 587.43 | 633.58 |
| 5 | Engineering Contractors (11) | 266.87 | +0.7 | 25.53 | 9.71 | 4.92 | 265.05 | 264.74 | 266.11 | 266.96 | 396.27 |
| 6 | Mechanical Engineering (74) | 148.81 | +0.8 | 21.76 | 8.81 | 5.62 | 147.64 | 148.58 | 149.59 | 150.22 | 197.94 |
| 8 | Metals and Metal Forming (16) | 149.70 | +1.2 | 23.20 | 10.91 | 5.17 | 147.86 | 147.86 | 148.10 | 148.90 | 180.83 |
| | CONSUMER GOODS | | | | | | | | | | |
| 11 | (DURABLE) (49) | 200.48 | +1.1 | 16.33 | 6.35 | 7.51 | 198.23 | 202.15 | 201.58 | 202.12 | 247.15 |
| 12 | Lt. Electronics, Radio, TV (14) | 290.24 | +1.4 | 12.59 | 4.61 | 10.17 | 286.24 | 292.30 | 290.65 | 291.95 | 334.61 |
| 13 | Household Goods (14) | 94.35 | +0.1 | 31.33 | 11.32 | 3.77 | 94.27 | 94.95 | 95.54 | 96.55 | 173.78 |
| 14 | Motors and Distributors (21) | 95.58 | +0.6 | 23.98 | 10.33 | 4.86 | 94.98 | 96.74 | 96.92 | 96.67 | 128.37 |
| | CONSUMER GOODS | | | | | | | | | | |
| 21 | (NON DURABLES) (172) | 209.74 | +1.2 | 19.59 | 7.54 | 6.18 | 207.30 | 209.23 | 209.79 | 210.17 | 246.10 |
| 22 | Breweries (14) | 264.68 | +0.4 | 17.07 | 6.87 | 6.88 | 263.69 | 267.51 | 267.41 | 267.44 | 282.16 |
| 23 | Wines and Spirits (5) | 280.95 | +0.7 | 19.39 | 6.65 | 6.35 | 278.92 | 282.08 | 281.70 | 284.62 | 304.98 |
| 24 | Entertainment, Catering (17) | 301.34 | +2.3 | 18.70 | 7.21 | 6.60 | 294.54 | 295.21 | 292.92 | 294.28 | 319.28 |
| 25 | Food Manufacturers (21) | 187.19 | +0.8 | 20.97 | 7.87 | 5.60 | 185.66 | 186.18 | 186.56 | 186.82 | 225.26 |
| 26 | Food Retailing (13) | 301.01 | +2.6 | 14.14 | 5.15 | 8.38 | 293.25 | 293.61 | 292.18 | 293.15 | 303.65 |
| 32 | Newspapers, Publishing (13) | 407.09 | — | 23.36 | 7.18 | 5.78 | 407.02 | 407.19 | 409.45 | 410.88 | 454.40 |
| 33 | Packaging and Paper (15) | 122.65 | +3.0 | 26.47 | 9.54 | 4.60 | 119.07 | 121.42 | 122.29 | 122.88 | 143.46 |
| 34 | Stores (42) | 203.02 | +0.8 | 15.12 | 6.07 | 8.51 | 201.39 | 203.57 | 205.27 | 206.21 | 250.54 |
| 35 | Textiles (24) | 118.76 | +0.7 | 29.12 | 12.99 | 4.31 | 117.90 | 123.59 | 124.26 | 122.85 | 178.88 |
| 36 | Tobaccos (3) | 198.94 | +1.8 | 30.75 | 11.63 | 3.68 | 195.50 | 195.50 | 196.01 | 196.01 | 246.65 |
| 37 | Toys and Games (5) | 26.68 | −1.5 | 45.90 | 18.18 | 2.58 | 27.08 | 26.25 | 26.31 | 26.40 | 76.99 |
| 41 | OTHER GROUPS (99) | 197.89 | +1.9 | 18.43 | 7.60 | 6.45 | 194.17 | 195.45 | 195.47 | 194.64 | 216.03 |
| 42 | Chemicals (16) | 292.98 | +2.1 | 21.40 | 8.22 | 5.36 | 287.01 | 288.16 | 288.92 | 288.27 | 305.21 |
| 43 | Pharmaceutical Products (7) | 187.75 | +3.5 | 13.61 | 7.35 | 9.05 | 181.38 | 184.09 | 179.75 | 175.38 | 232.95 |
| 44 | Office Equipment (6) | 99.03 | +0.5 | 22.00 | 8.38 | 5.20 | 98.57 | 99.77 | 100.04 | 100.47 | 128.65 |
| 45 | Shipping (10) | 499.15 | +1.5 | 14.17 | 7.08 | 8.62 | 491.64 | 490.09 | 496.25 | 495.62 | 483.89 |
| 46 | Miscellaneous (60) | 240.60 | +1.4 | 17.94 | 7.10 | 6.85 | 237.25 | 238.76 | 239.94 | 240.02 | 256.45 |
| 49 | INDUSTRIAL GROUP (492) | 216.70 | +1.3 | 19.08 | 7.37 | 6.35 | 213.95 | 215.74 | 216.07 | 216.15 | 251.29 |
| 51 | Oils (8) | 771.74 | +0.2 | 29.90 | 6.68 | 3.69 | 770.00 | 749.74 | 742.60 | 750.13 | 676.40 |
| 59 | 500 SHARE INDEX | 260.39 | +1.0 | 21.49 | 7.22 | 5.48 | 257.69 | 257.84 | 257.61 | 258.25 | 285.76 |
| 61 | FINANCIAL GROUP (118) | 197.19 | +0.9 | — | 6.26 | — | 195.48 | 196.60 | 196.70 | 198.12 | 199.54 |
| 62 | Banks (6) | 210.51 | +1.4 | 46.52 | 7.31 | 2.64 | 207.52 | 206.01 | 205.88 | 205.55 | 239.80 |
| 63 | Discount Houses (10) | 255.01 | — | — | 7.62 | — | 255.01 | 258.53 | 261.13 | 260.35 | 248.54 |
| 64 | Hire Purchase (5) | 192.09 | +0.3 | 16.27 | 5.22 | 7.98 | 191.51 | 197.96 | 198.15 | 198.60 | 189.86 |
| 65 | Insurance (Life) (10) | 183.78 | +0.5 | — | 6.93 | — | 182.84 | 183.84 | 184.46 | 186.76 | 163.09 |
| 66 | Insurance (Composite) (9) | 124.51 | +0.8 | — | 8.64 | — | 123.50 | 124.65 | 124.35 | 125.58 | 134.80 |
| 67 | Insurance Brokers (10) | 295.02 | +0.5 | 15.99 | 7.18 | 8.69 | 293.49 | 294.80 | 294.04 | 295.51 | 291.79 |
| 68 | Merchant Banks (13) | 105.89 | — | — | 5.96 | — | 105.87 | 105.90 | 106.37 | 107.34 | 100.82 |
| 69 | Property (45) | 385.97 | +0.9 | 3.64 | 2.86 | 39.17 | 382.39 | 387.72 | 387.79 | 392.12 | 352.41 |
| 70 | Miscellaneous (10) | 126.04 | +0.5 | 20.41 | 7.41 | 6.23 | 125.36 | 125.86 | 127.24 | 128.74 | 125.90 |
| 71 | Investment Trusts (109) | 215.34 | +0.3 | — | 6.38 | — | 214.76 | 216.41 | 216.98 | 217.06 | 222.29 |
| 81 | Mining Finance (4) | 183.75 | +2.1 | 14.47 | 5.37 | 8.38 | 179.89 | 187.18 | 186.43 | 186.44 | 136.69 |
| 91 | Overseas Traders (19) | 361.13 | +0.3 | 13.95 | 7.38 | 8.78 | 360.18 | 359.05 | 364.39 | 366.74 | 365.84 |
| 99 | ALL-SHARE INDEX (750) | 245.28 | +1.0 | — | 6.95 | — | 242.89 | 243.60 | 243.56 | 244.35 | 261.62 |

### FIXED INTEREST PRICE INDICES

| | British Government | Tues., June 3 | Day's change % | xd adj. today | xd adj. 1980 to date |
|---|---|---|---|---|---|
| 1 | Under 5 years | 103.72 | +0.36 | — | 4.37 |
| 2 | 5-15 years | 108.22 | +0.57 | 0.55 | 4.82 |
| 3 | Over 15 years | 112.53 | +0.52 | — | 4.81 |
| 4 | Irredeemables | 128.18 | +0.27 | — | 6.30 |
| 5 | All stocks | 107.87 | +0.47 | 0.13 | 4.60 |

### FIXED INTEREST YIELDS
British Govt. Av. Gross Red.

| | | | Tues., June 3 | Mon., June 2 | Year ago (approx.) |
|---|---|---|---|---|---|
| 1 | Low | 5 years | 12.25 | 12.33 | 9.88 |
| 2 | Coupons | 15 years | 12.21 | 12.28 | 10.87 |
| 3 | | 25 years | 12.21 | 12.28 | 11.34 |
| 4 | Medium | 5 years | 14.05 | 14.21 | 11.57 |
| 5 | Coupons | 15 years | 13.89 | 13.99 | 12.07 |
| 6 | | 25 years | 13.76 | 13.83 | 12.20 |
| 7 | High | 5 years | 14.18 | 14.33 | 11.86 |
| 8 | Coupons | 15 years | 14.24 | 14.31 | 12.45 |
| 9 | | 25 years | 14.14 | 14.22 | 12.39 |
| 10 | Irredeemables | | 11.42 | 11.45 | 11.13 |

| | | Tuesday, June 3 Index No. | Tuesday, June 3 Yield % | Mon. June 2 | Fri. May 30 | Thurs. May 29 | Wed. May 28 | Tues. May 27 | Fri. May 23 | Thur. May 22 | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 15 | 20-yr. Red. Deb & Loans (15) | 51.42 | †14.39 | 51.40 | 51.41 | 51.49 | 51.33 | 51.27 | 51.31 | 51.29 | 60.96 |
| 16 | Investment Trust Prefs. (15) | 47.79 | 14.14 | 47.68 | 47.68 | 47.69 | 47.82 | 47.64 | 47.64 | 47.64 | 52.41 |
| 17 | Coml. and Indl. Prefs. (20) | 61.80 | 14.60 | 61.80 | 61.80 | 61.80 | 61.97 | 61.87 | 61.87 | 61.77 | 73.90 |

† Redemption yield. Highs and lows record base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 25p.

## ACTIVE STOCKS

| Stock | Denomination | No. of marks | Closing price (p) | Change on day | 1980 high | 1980 low |
|---|---|---|---|---|---|---|
| ICI | £1 | 10 | 360 | +10 | 402 | 348 |
| European Ferries | 25p | 9 | 144 | + 7 | 144 | 98 |
| Barclays Bank | £1 | 8 | 415 | + 5 | 452 | 392 |
| Burmah Oil | £1 | 7 | 218 | + 3 | 249 | 162 |
| Marks & Spencer | 25p | 7 | 84 | + 1 | 96 | 77 |
| BP | 25p | 6 | 344 | — | 412 | 320 |
| Premier Cons. | 5p | 6 | 95 | + 1 | 98 | 39½ |
| Reed Intl. | £1 | 6 | 176 | +13 | 206 | 163 |
| Shell Transport | 25p | 6 | 390 | + 2 | 410 | 314 |
| Beecham | 25p | 5 | 119 | + 5 | 134 | 108 |
| Boots | 25p | 5 | 180 | + 2 | 198 | 158 |
| Cadb'y Schweppes | 25p | 5 | 58 | + ½ | 66 | 54 |
| LASMO | 25p | 5 | 670 | −10 | 682 | 337 |
| NatWest Bank | £1 | 5 | 330 | + 5 | 373 | 305 |
| Tricentrol | 25p | 5 | 354 | − 2 | 368 | 250 |

## OPTIONS

**DEALING DATES**

| First Dealing | Last Dealing | Last Declaration | For Settlement |
|---|---|---|---|
| May 19 | Jun. 6 | Aug. 28 | Sept. 8 |
| Jun. 9 | Jun. 20 | Sept. 11 | Sept. 22 |
| Jun. 23 | Jul. 4 | Sept. 25 | Oct. 6 |

*For rate indications see end of Share Information Service.*

A more active business than of late saw calls done in LRC, Coral Leisure, Smith Bros., Stilfontein, Welkom, Southvaal, Premier Oil, Attock Oil, Lasmo, Cawoods, Charterhall, Airfix, Mallinson-Denny, Associated Fisheries, Woodside, Century Oils, Town and City, Lee Cooper, Renold, Clyde Petroleum, Whim Creek and Montague L. Meyer. Puts were done in Steaua Romana, Lee Cooper and Polly Peck, while doubles were arranged in Dunlop, Coral Leisure and Debenhams.

## RECENT ISSUES

### EQUITIES

| Issue Price p | Amount Paid Up | Latest Renunc. Date | 1980 High | 1980 Low | Stock | Closing Price p | + or − | Div. | Times Covered | Gross Yield | P/E Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 85 | F.P. | 16/5 | 95 | 84 | Amstrad Cons. Elect. | 94 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| — | F.P. | — | 180 | 155 | Fairview Eng. 10p | 155 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 55 | F.P. | 30/6 | 80 | 74 | Home Farm Prods 10p | 77 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| §60 | F.P. | — | 73 | 63 | Kennedy Brooks 10p | 74 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| — | F.P. | — | 13 | 10 | Lancaster (DM) 5p | 11 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| §83 | F.P. | 27/6 | 91 | 83 | Oakwood Group | 79 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 100 | F.P. | 27/6 | 110 | 94 | Pearless | 94 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### FIXED INTEREST STOCKS

| Issue Price £ | Amount Paid Up | Latest Renunc. Date | 1980 High | 1980 Low | Stock | Closing Price £ | + or − |
|---|---|---|---|---|---|---|---|
| [illegible] | F.P. | 3/6 | 131 | 111 | Automated Sec. 8% Cnv. Uns. Ln. '95 | 122 | +1 |
| [illegible] | £10 | 4/9 | 12½ | 12 | Folkestone & District Water 13pc Pref | 12½ | [illegible] |
| [illegible] | F.P. | 30/5 | 102 | 100 | Mid Southern 10% Red Prf. 1985 | 100 | [illegible] |
| [illegible] | F.P. | 13/6 | [illegible] | [illegible] | NSS Newsag'ts 10% Cnv. Uns. Ln. [illegible] | [illegible] | [illegible] |
| [illegible] | F.P. | [illegible] | [illegible] | [illegible] | North Brit. Props. 9¼% Cnv. Uns. Ln. [illegible] | [illegible] | [illegible] |
| [illegible] | F.P. | 27/6 | [illegible] | [illegible] | North Surrey Water 13pc Pref. [illegible] | [illegible] | [illegible] |
| [illegible] | F.P. | 9/6 | 93 | 91 | Norwest Holst 11% Red Cum Pref 1986 | 91 | [illegible] |

## "RIGHTS" OFFERS

| Issue Price p | Amount Paid Up | Latest Renunc. Date | 1980 High | 1980 Low | Stock | Closing Price p | + or − |
|---|---|---|---|---|---|---|---|
| 30 | [illegible] | [illegible] | [illegible] | [illegible] | Brent Chemicals | [illegible] | [illegible] |
| 65 | [illegible] | [illegible] | [illegible] | [illegible] | Clifford's Dairies 'A' | [illegible] | [illegible] |
| 200 | [illegible] | [illegible] | [illegible] | [illegible] | Clyde Petroleum | 325pm | [illegible] |
| 18 | [illegible] | [illegible] | [illegible] | [illegible] | East Rand Cons. | [illegible] | [illegible] |
| 54 | [illegible] | [illegible] | [illegible] | [illegible] | First Castle Secs. | [illegible] | [illegible] |
| 27 | [illegible] | [illegible] | [illegible] | [illegible] | Hawley Leisure | [illegible] | [illegible] |
| 40 | [illegible] | [illegible] | [illegible] | [illegible] | Linfood | [illegible] | [illegible] |
| 118 | [illegible] | [illegible] | [illegible] | [illegible] | Lloyds & Scottish | [illegible] | [illegible] |
| 126 | [illegible] | [illegible] | [illegible] | [illegible] | Pancontinental | [illegible] | [illegible] |
| 60cts | [illegible] | [illegible] | [illegible] | [illegible] | Rugby Portland Cement | [illegible] | [illegible] |
| 54 | [illegible] | [illegible] | [illegible] | [illegible] | Silverminas | [illegible] | [illegible] |
| 98 | [illegible] | [illegible] | [illegible] | [illegible] | Unitech | [illegible] | [illegible] |
| 180 | [illegible] | [illegible] | [illegible] | [illegible] | Watmoughs | [illegible] | [illegible] |
| 110 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Renunciation date usually last day for dealing free of stamp duty. [illegible]

## UNIT TRUST SERVICE

### OFFSHORE & OVERSEAS—contd.

**King & Shaxson Mngrs.**
1, Charing Cross, St. Helier, Jersey. (0534) 73741
Valley Hse., St. Peter Port, Gnsy. (0481) 24706
1 Thomas Street, Douglas, I.O.M. (0624) 4856

| | | | | |
|---|---|---|---|---|
| Gilt Fund (Jersey) | 8.29 | 8.33 | −0.10 | 13.25 |
| Gilt Trust (I.o.M.) | 92.4 | 94.7 | — | 13.50 |
| Gilt Fnd. Guernsey | 8.79 | 8.83 | — | 13.25 |
| Intl. Govt. Secs. Tst. | | | | |
| First Sterling | £19.03 | 19.22 | −1.13 | — |
| First Intl. | [illegible] | [illegible] | [illegible] | — |

**Kleinwort Benson Limited**
20, Fenchurch St., EC3. 01-623 8000

| | | | | |
|---|---|---|---|---|
| Eurinvest | LF1100 | | | 5.09 |
| Guernsey Inc. | 71.6 | 76.3 | — | 5.35 |
| Do. Accum. | 94.6 | 100.8 | — | 5.35 |
| K.B. Eurobond Fd. | 9.62 | 9.73 | — | 8.80 |
| K.B. Far East Fd. | US$17.54 | | — | 1.71 |
| K.B. Gilt Fund | 9.83 | 9.89 | — | 13.03 |
| K.B. Int. Bd. Fd. Inc. | US$101.81 | | +3.82 | 9.52 |

[illegible]

**Phoenix International** [illegible]
**Providence Capitol Life Ass. (C.I.)** [illegible]
**Quest Fund Mngmnt. (Jersey) Ltd.** [illegible]
**Richmond Life Ass. Ltd.** [illegible]
**Lazard Brothers & Co. (Jersey) Ltd.** [illegible]
**Lloyds Bk. (C.I.) U/T Mgrs.** [illegible]
**Lloyds Bank International, Geneva** [illegible]
**Rothschild Asset Management** [illegible]
**M & G Group** [illegible]
**Management International Ltd.** [illegible]
**Midland Bank Tst. Corp. (Jersey) Ltd.** [illegible]
**Samuel Montagu Ldn. Agents** [illegible]
**Murray, Johnstone (Inv. Adviser)** [illegible]
**Schlesinger International Mngt. Ltd.** [illegible]
**Neit S.A.** [illegible]
**Negit Ltd.** [illegible]
**N.E.L. International Ltd.** [illegible]
**Nat. Westminster Jersey Fd. Mgrs. Ltd.** [illegible]
**Pacific Basin Fund** [illegible]
**Schroder Life Group** [illegible]
**J. Henry Schroder Wagg & Co. Ltd.** [illegible]
**Sentry Assurance International Ltd.** [illegible]
**Slater & Friedlander Ldn. Agents** [illegible]
**Standard Chartered Intl. Bd. Fd.** [illegible]
**Surinvest (Jersey) Ltd.** [illegible]
**TSB Unit Trust Managers (C.I.) Ltd.** [illegible]
**Tokyo Pacific Holdings N.V.** [illegible]
**Tyndall Group** [illegible]
**Utd. Intnl. Mngmt. (C.I.) Ltd.** [illegible]
**S. G. Warburg & Co. Ltd.** [illegible]
**Warburg Invest. Mngt. Jrsy. Ltd.** [illegible]
**World Wide Growth Management** [illegible]
**Wren Commodity Management Ltd.** [illegible]

# FT UNIT TRUST INFORMATION SERVICE

# AUTHORISED UNIT TRUSTS

**Abbey Unit Tst. Mngrs. (a)**
72-80, Gatehouse Rd., Aylesbury. 0296 5941

| | | | | |
|---|---|---|---|---|
| Abbey Amer. Gth. Tst. | 46.5 | 50.0 | +0.2 | 2.00 |
| Abbey Capital | 36.3 | 38.2 | +0.4 | 6.05 |
| Abbey General | 45.9 | 49.1 | +0.4 | 6.34 |
| Abbey Gilt & F.I. Tst. | 104.4 | 109.9 | -1.2 | 9.76 |
| Abbey Income | 40.4 | 43.6 | +0.5 | 9.25 |
| Abbey Intl. Bd. Tst. | 94.8 | 100.3 | +0.3 | 5.48 |
| Abbey Inv. Tst. Fnd. | 37.2 | 40.2 | -0.3 | 4.21 |
| Equity Prog. Trust | 67.8 | 73.3 | | 6.11 |

**Allen Harvey & Ross Unit Tst. Mngrs.**
45, Cornhill, London EC3V 3PB. 01-623 6314

| | | | | |
|---|---|---|---|---|
| AHR Gilt & Pref. | 85.0 | 90.7 | | 12.98 |

**Allied Hambro Group (a) (g)**
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

| | | | | |
|---|---|---|---|---|
| **Balanced Funds** | | | | |
| Allied 1st | 74.5 | 79.7 | +0.5 | 6.65 |
| Brit. Inds. Fund | 67.0 | 71.7 | +0.4 | 7.25 |
| Growth & Income | 41.3 | 44.2 | +0.2 | 6.29 |
| Elect. & Ind. Dev. | 35.8 | 38.3 | +0.2 | 6.40 |
| Allied Capital | 76.1 | 81.4 | +0.6 | 5.71 |
| Hambro Fund | 113.0 | 120.9 | +0.8 | 6.67 |
| Hambro Acc. Fund | 142.3 | 152.3 | +1.5 | 5.91 |
| **Income Funds** | | | | |
| High Yield Fd. | 62.4 | 66.8 | +0.4 | 10.85 |
| High Income | 67.5 | 72.2 | +0.4 | 8.45 |
| A. H. Eq. Inc. | 39.7 | 42.5 | +0.2 | 8.54 |
| Govt. Secs. | 24.4 | 25.0 | +0.1 | 9.00 |
| **International Funds** | | | | |
| International | 28.3 | 30.3 | +0.2 | 3.56 |
| Pacific Fund | 47.9 | 51.3 | +0.2 | 2.40 |
| Secs. Of America | 56.8 | 60.8 | +0.2 | 2.96 |
| **Specialist Funds** | | | | |
| Smaller Co.'s Fd. | 47.2 | 50.5 | +0.2 | 4.95 |
| 2nd Smlr. Co's Fd. | 55.0 | 58.8 | +0.1 | 4.98 |
| Recovery Sits. | 111.2 | 119.0 | +0.5 | 7.82 |
| Met. Min. & C'dty. | 56.5 | 60.5 | | 4.88 |
| Overseas Earnings | 56.8 | 60.8 | +0.8 | 5.59 |
| **Exempt Funds** | | | | |
| Far East Exempt | 54.3 | 56.5 | | 3.13 |
| Smaller Co. Exempt | 72.6 | 76.2 | +0.1 | 5.25 |
| U.S.A. Exempt | 100.2 | 104.2 | +0.4 | 3.36 |

**Anderson Unit Trust Managers Ltd.**
158, Fenchurch St., EC3M 6AA. 623 9231

| | | | | |
|---|---|---|---|---|
| Anderson U.T. | 54.4 | 58.6 | | 5.44 |

**Ansbacher Unit Mgmt. Co. Ltd.**
1, Noble St., EC2V 7JA. 01-623 6376

| | | | | |
|---|---|---|---|---|
| Inc. Monthly Fund | 130.0 | 140.0 | | 12.00 |

**Arbuthnot Securities Ltd. (a)(c)**
37, Queen St., London, EC4R 1BY. 01-236 5281

| | | | | |
|---|---|---|---|---|
| Capital† | 24.8 | 26.7 | | |
| Commodity*** | 75.6 | 82.0 | | 3.33 |
| (Accumulation) | 117.0 | 127.5 | | 3.33 |
| (10% Withdrawal) | 59.2 | 64.5 | | 3.33 |
| Eastern & Internatl.† | 30.1 | 32.5 | | 1.00 |
| (6% Withdrawal) | 21.6 | 23.3 | | 1.00 |
| Extra Income | 84.2 | 90.9 | +0.5 | 11.70 |
| (Accumulation) | 96.8 | 105.6 | +0.4 | 11.70 |
| Finance & Property* | 20.8 | 22.4 | -0.2 | 4.80 |
| Foreign†† | 102.9 | 111.0 | | 1.40 |
| Giants | 36.9 | 39.8 | +0.2 | 3.95 |
| (Accumulation) | 46.1 | 49.7 | +0.2 | 3.95 |
| Gilt & Fixed* | 42.8 | 44.3 | +0.2 | 13.00 |
| (Accumulation) | 43.1 | 45.4 | +0.2 | 13.00 |
| Growth | 35.4 | 38.2 | +0.2 | 3.98 |
| (Accumulation) | 44.7 | 48.2 | +0.2 | 3.98 |
| High Income | 33.3 | 35.9 | +0.1 | 10.22 |
| (Accumulation) | 52.1 | 56.1 | | 10.22 |
| (8½% Withdrawal) | 44.1 | 47.6 | | 10.22 |
| High Yield | 39.7 | 42.8 | | 11.63 |
| (Accumulation) | 66.7 | 72.0 | | 11.63 |
| North American†† | 28.7 | 31.3 | | 1.80 |
| Preference | 21.5 | 23.4 | | 14.02 |
| (Accumulation) | 39.3 | 42.8 | | 14.02 |
| Smaller Companies* | 26.9 | 29.0 | | 5.12 |

Dealings: †Tues. *Wed. ††Thurs. ***Friday.

**Archway Unit Tst. Mgs. Ltd.♥ (a)(c)**
317, High Holborn, WC1V 7NL. 01-831 6233

**Discretionary Unit Fund Managers**
22 Blomfield St., EC2M 7AL. 01-638 4485

| | | | | |
|---|---|---|---|---|
| Disc. Inc. May 30 | 190.5 | 203.2 | | 6.18 |

**E. F. Winchester Fund Mngt. Ltd.**
44, Bloomsbury Square, WC1A 2RA. 01-623 8893

| | | | | |
|---|---|---|---|---|
| Great Winchester | 17.8 | 18.7 | | 7.64 |
| Gt. Winchester O'seas | 20.9 | 23.0 | | 4.79 |

**Emson & Dudley Tst. Mngmt. Ltd.**
20, Albemarle St., W1. 01-493 3211

| | | | | |
|---|---|---|---|---|
| Emson Dudley Tst. | 68.1 | 73.2 | | 6.00 |

**Equity & Law Un. Tr. M.♥ (a)(b)(c)**
Amersham Rd., High Wycombe. 0494 33377

| | | | | |
|---|---|---|---|---|
| Equity & Law | 71.9 | 75.6 | +0.7 | 5.65 |

**Fidelity International Management Ltd.**
62-63, Queen St., London, EC4R 1AD. 01-248 4891

| | | | | |
|---|---|---|---|---|
| American | 23.0 | 24.3 | | 1.00 |
| Fixed Interest | 24.7 | 26.1 | +0.1 | 12.91 |
| Growth + Income | 29.1 | 30.7 | +0.2 | 7.75 |
| Special Sits. | 28.5 | 30.0 | +0.1 | 3.17 |

**James Finlay Unit Trust Mngt. Ltd.**
10-14, West Nile Street, Glasgow. 041-204 1321

| | | | | |
|---|---|---|---|---|
| J. Finlay Internat'l | 27.8 | 29.9 | | 2.37 |
| Accum. Units | 34.2 | 36.7 | | 2.37 |
| J. Finlay High Income | 31.3 | 33.6 | | 10.78 |
| J. Finlay Euro.Fin. | 21.0 | 22.4 | | 4.90 |
| Accum. Units | 26.3 | 28.2 | | 4.90 |
| J. Finlay Fd.In.Tst. | 33.0 | 35.5 | | 5.56 |
| Accum. Units | 40.7 | 43.8 | | 5.56 |

Prices on May 28. Next dealing June 4.

**Framlington Unit Mgt. Ltd. (a)**
64, London Wall, EC2M 5NQ. 01-628 5181

| | | | | |
|---|---|---|---|---|
| American June 2 | 50.6 | 54.0 | | 1.23 |
| Am. T'around June 2 | 50.2 | 53.6 | | 2.00 |
| Capital Tst. | 50.8 | 54.2 | | 5.70 |
| (Accum. Units) | 51.4 | 55.0 | | 5.70 |
| Extra Income Trust | 45.8 | 48.8 | +0.2 | 11.03 |
| Income Tst. | 34.6 | 37.0 | +0.2 | 9.37 |
| Int. Growth Fd. | 42.8 | 45.6 | +0.4 | 2.48 |
| (Accum. Units) | 45.4 | 48.4 | +0.2 | 2.48 |

**Friends' Provdt. Unit Tr. Mgrs.♥**
Pixham End, Dorking. 0306 5055

| | | | | |
|---|---|---|---|---|
| Friends Prov. Units | 48.2 | 51.5 | -0.3 | 5.23 |
| Do. Accum. | 68.0 | 72.7 | -0.4 | 5.23 |

**Funds in Court***
Public Trustee, Kingsway, WC2. 01-405 4300

| | | | | |
|---|---|---|---|---|
| Capital May 15 | 117.9 | 119.9 | | 5.56 |
| Gross Inc. May 15 | 75.3 | 78.4 | | 11.61 |
| High Yield May 15 | 86.9 | 90.9 | | 10.41 |

*Unauth. Restricted to monies under Court control.

**G.T. Unit Managers Ltd.♥**
16 Finsbury Circus, EC2M 7DD. 01-628 8131

| | | | | |
|---|---|---|---|---|
| G.T. Cap. Income | 112.8 | 119.9 | -0.3 | 3.60 |
| Do. Acc. | 141.7 | 150.7 | -0.4 | 3.60 |
| G.T. Inc. Fd.-Un. | 161.4 | 171.7 | -1.8 | 9.3 |
| G.T. U.S. & Gen. | 133.5 | 141.2 | +1.3 | 2.70 |
| GT Wld. Bd. Fd. | 92.9 | 95.7 | -0.5 | 5.70 |
| G.T. Japan & Gen. | 71.4 | 75.5 | -0.3 | 3.30 |
| ♦Gt. Pens. Ex. Fd. | 240.1 | 252.7 | +1.0 | 3.00 |
| G.T. Int'l. Fund | 177.7 | 189.0 | +2.1 | 2.4 |
| G.T. Four Yds. Fd. | 45.1 | 48.0 | -0.5 | 7.90 |
| G.T. Far East & Gen. | 53.6 | 57.6 | +1.3 | 2.60 |

**G. & A. Trust (a) (g)**
5 Rayleigh Road, Brentwood. (0277) 227300

| | | | | |
|---|---|---|---|---|
| G. & A. | 35.5 | 37.9 | +0.3 | 6.15 |

**Gartmore Fund Managers♥ (a)(g)**
2 St. Mary Axe, EC3A 8BP. 01-623 6114
Dealing only: 01-623 5766/5806

| | | | | |
|---|---|---|---|---|
| American Trust | 25.3 | 27.2 | +0.1 | 1.07 |
| British Tst. (Acc.) | 62.8 | 67.5 | -0.3 | 4.25 |
| Commodity Share | 40.9 | 44.0 | +0.1 | 3.28 |
| Extra Income Tst. | 20.5 | 22.1 | +0.1 | 10.95 |
| Far East Trust | 33.3 | 35.8 | | 2.12 |
| High Income Tst. | 50.8 | 55.2 | -0.1 | 10.99 |
| Income Fund | 72.3 | 77.8 | -0.3 | 7.57 |
| Ins. Agencies | 14.49 | 15.39 | +0.07 | 5.50 |
| Intl. Exempt Fd. | 94.6 | 102.3 | +0.2 | 5.83 |
| Intl. Tst. (Acc.) | 36.2 | 38.9 | +0.2 | 2.03 |
| Special Sits. Tst. | 28.1 | 29.6 | +0.1 | 2.37 |

**Gibbs (Antony) Unit Tst. Mgs. Ltd. (a)**
3 Frederick's Pl., Old Jewry, EC2. 01-588 4111

| | | | | |
|---|---|---|---|---|
| Extra Income | 25.7 | 28.0 | | 11.80 |
| Income | 36.8 | 40.0 | | 10.40 |
| Accumulation | 73.1 | 79.5 | +1.2 | 6.00 |
| Growth | 42.6 | 46.3 | +0.3 | 4.90 |
| UK Mkt. Leaders | 46.5 | 50.0 | | 5.20 |
| Small Co's | 37.9 | 41.2 | -0.2 | 6.90 |
| Technology | 60.0 | 65.2 | -0.1 | 6.20 |
| Private | 43.5 | 47.3 | +0.4 | 5.10 |
| Intl. Erns. & Assets | 49.5 | 53.8 | +0.4 | 4.00 |
| American | 24.2 | 26.3 | +0.2 | 2.20 |

**ManuLife Management Ltd.**
St. George's Way, Stevenage. 0438 56101

| | | | | |
|---|---|---|---|---|
| Growth Units | 66.5 | 70.0 | | 5.06 |

**Mayflower Management Co. Ltd.**
14-18, Gresham St., EC2V 7AU. 01-606 8099

| | | | | |
|---|---|---|---|---|
| Income May 19 | 102.5 | 108.0 | | 9.44 |
| General May 19 | 68.7 | 72.4 | | 6.75 |
| Intnl. May 19 | 46.8 | 49.3 | | 3.66 |

**Mercury Fund Managers Ltd.**
30, Gresham St., EC2P 2EB. 01-600 4555

| | | | | |
|---|---|---|---|---|
| Mrc. Gen June 4 | 52.3 | 55.6 | -0.9 | 6.32 |
| Acc. Uts. June 4 | 72.9 | 77.6 | -1.3 | 6.32 |
| Mer. Int. June 4 | 75.6 | 80.4 | +2.7 | 4.23 |
| Acc. Uts. June 4 | 85.0 | 90.4 | +3.1 | 4.23 |
| Merc. Ext. May 29 | 65.6 | 68.3 | | 6.40 |
| Accm. Units May 29 | 84.3 | 87.8 | | 6.40 |

**Midland Bank Group Unit Trust Managers Ltd.♥ (a)**
Courtwood House, Silver Street, Head. Sheffield, S1 3RD. Tel: 0742 79842

| | | | | |
|---|---|---|---|---|
| Commodity & Gen. | 102.3 | 110.0 | +0.3 | 4.57 |
| Do. Accum. | 114.9 | 125.4 | +0.5 | 4.57 |
| Overseas Growth | 36.8 | 39.6 | +0.1 | 2.46 |
| Do. Accum. | 39.2 | 42.4 | +0.1 | 2.46 |
| Capital | 28.4 | 30.7 | +0.2 | 4.82 |
| Do. Accum. | 32.7 | 35.4 | +0.2 | 4.82 |
| Income | 52.4 | 56.7 | +0.2 | 7.77 |
| Do. Accum. | 66.4 | 71.8 | +0.4 | 7.77 |
| North American | 34.5 | 37.3 | +0.1 | 2.98 |
| Do. Accum. | 38.1 | 41.2 | | 2.98 |
| High Yield | 53.8 | 58.2 | +0.1 | 10.63 |
| Do. Accum. | 64.9 | 70.1 | +0.1 | 10.63 |
| Equity Exempt* | 114.9 | 121.3 | | 5.78 |
| Do. Accum.* | 120.4 | 127.1 | | 5.78 |
| Japan & Pacific | 37.8 | 40.9 | -0.1 | 1.85 |
| Do. Accum. | 38.3 | 41.5 | -0.1 | 1.85 |

*Prices at May 23. Next dealing May 30.

**Minster Fund Managers Ltd.**
Minster Hse., Arthur St., EC4R 9BH. 01-623 1050

| | | | | |
|---|---|---|---|---|
| Minster June 2 | 36.4 | 38.4 | | 7.62 |
| Exempt May 30 | 92.7 | 96.7 | | 6.95 |

**MLA Unit Trust Mngmnt. Ltd.**
Old Queen Street, SW1A 9JG. 01-222 8177

| | | | | |
|---|---|---|---|---|
| MLA Units | 60.1 | 63.3 | +0.5 | 4.94 |

**Stewart Unit Tst. Managers Ltd.(a)**
45, Charlotte Sq., Edinburgh. 031-226 3271

| | | | | |
|---|---|---|---|---|
| †Stewart American Fund | | | | |
| Standard Units | 60.1 | 63.9 | | 2.20 |
| Accum. Units | 66.1 | 70.3 | | — |
| Withdrawal Units | 43.3 | 45.0 | | — |
| *Stewart British Capital Fund | | | | |
| Standard | 152.3 | 162.5 | | 6.80 |
| Accum. Units | 176.0 | 187.9 | | 6.80 |

Dealing †Tues. & Fri. *Wed.

**Sun Alliance Fund Mngt. Ltd.**
Sun Alliance Hse., Horsham. 0403 64141

| | | | | |
|---|---|---|---|---|
| Exp. Eq. May 14 | £279.60 | 294.40 | | 5.48 |
| ♥The Family Fd. | 115.3 | 122.6 | +0.7 | 5.03 |

**Target Tst. Mngrs. Ltd.♥(a)(g)**
31, Gresham St., E.C.2. Dealings: 0296 5941.
19, Athol Crescent, Edin. 3. 031-229 8621/2

| | | | | |
|---|---|---|---|---|
| Commodity | 58.0 | 62.7 | +0.1 | 2.07 |
| Financial | 77.0 | 83.4 | -0.4 | 4.58 |
| Gilt Accum. | 124.8 | 132.0 | | 3.50 |
| Investment Trust | 33.2 | 35.9 | -0.1 | 4.68 |
| Special Situations | 21.9 | 23.7 | +0.2 | 4.80 |
| American Eagle | 28.7 | 31.0 | +0.1 | 1.56 |
| Pacific Income | 25.3 | 27.3 | +0.2 | 2.40 |
| Pacific Accum. | 28.9 | 31.2 | +0.2 | 2.40 |
| Income | 23.6 | 25.5 | | 11.99 |
| Extra Income | 51.2 | 55.4 | +0.5 | 12.47 |
| Preference Share | 11.5 | 12.5 | | 13.81 |
| Equity | 42.4 | 45.8 | | 6.94 |
| Growth | 32.2 | 34.8 | +0.2 | 4.98 |
| Professional June 4 | 187.5 | 201.6 | | 5.36 |
| Eqty. Ex. Inc. | 224.5 | 241.4 | -2.1 | 7.63 |
| Equity Ex. Accum. | 334.7 | 359.9 | -3.1 | 7.63 |

**Tower Unit Trust Mngt. Ltd.**
39/45 Finsbury Square, EC2A 1PX. 01-628 2294

| | | | | |
|---|---|---|---|---|
| Income & Growth | 19.9 | 20.9 | | 9.97 |
| Special Situations | 26.8 | 28.2 | | 2.81 |

**Trades Union Unit Tst. Managers♥**
100, Wood Street, E.C.2. 01-628 8011

| | | | | |
|---|---|---|---|---|
| TUUT June 2 | 52.6 | 56.0 | | 6.32 |

**Transatlantic and Gen. Secs.♥ (c)(y)**
91-99, New London Rd., Chelmsford. 0245-51651

| | | | | |
|---|---|---|---|---|
| Barbican May 29 | 77.3 | 82.4 | | 7.43 |
| (Accum. Units) | 127.2 | 135.6 | | 7.43 |
| ♦Barb. Expt. May 28 | 66.1 | 67.7 | | 3.36 |
| Buckm. May 29 | 80.9 | 86.1 | | 5.56 |
| (Accum. Units) | 108.7 | 115.7 | | 5.56 |

# INSURANCE PROPERTY BONDS

# OFFSHORE & OVERSEAS FUNDS

Continued on previous page

# FT SHARE INFORMATION SERVICE

## BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

## INTERNATIONAL BANK

## CORPORATION LOANS

## COMMONWEALTH AND AFRICAN LOANS

## LOANS

Public Board and Ind.

| 1980 High | Low | Stock | Price £ | + or – | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| 61½ | 56½ | Agric. Mt. 5pc '59-89 | 59xd | ..... | 8.42 | 12.65 |
| 80 | 73½ | Alcan 10½pc '89-94 | 75xd | ..... | 14.00 | 14.88 |
| 28½ | 25 | Met. Wtr. 3pc 'B' | 27¼ | –¼ | 11.32 | 13.35 |
| 103 | 89 | U.S.M.C. 9pc 1982 | 103 | ..... | 8.75 | — |
| 91 | 85½ | Do. without Warrants | 91 | ..... | 10.40 | 16.20 |

## LOANS—Continued

Financial

## FOREIGN BONDS & RAILS

## AMERICANS

## CANADIANS

## BANKS AND HIRE PURCHASE

## BANKS & HP—Continued

Hire Purchase, etc.

## BEERS, WINES AND SPIRITS

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## CHEMICALS, PLASTICS—Cont.

## DRAPERY AND STORES

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## ENGINEERING MACHINE TOOLS

## ENGINEERING—Continued

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## FOOD, GROCERIES—Cont.

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## OVERSEAS TRADERS

[illegible]

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[illegible]

## TEAS

### India and Bangladesh

[illegible]

### Sri Lanka

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 400 | 305 | Lunuva £1 | 355 | ...... | 17.0 | 1.8 | 6.8 | |

### Africa

[illegible]

## MINES

### Central Rand

[illegible]

### Eastern Rand

[illegible]

### Far West Rand

[illegible]

### O.F.S.

[illegible]

### Finance

[illegible]

### Diamond and Platinum

[illegible]

### Central African

[illegible]



## MINES—Continued

### Australian

| 1980 High | Low | Stock | Price | + or − | Div. Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 25 | 21 | Acmex 50c | 25 | ...... | — | — | — |
| 24 | 12 | ACM 20c | 15 | ...... | — | — | — |
| 100 | 52½ | Bond Corp. | 100 | ...... | h02.8c | 2.2 | 1.4 |
| 156 | 88 | Bougainville Kina | 126 | ...... | h026.2c | 1.8 | 11.5 |
| 265 | 195 | BH South 50c | 200 | ...... | ♦ | — | — |
| 25 | 11½ | Canada Northwest | 21 | −1 | — | — | — |
| 42 | 8 | Carr Boyd 20c | 30 | +2 | — | — | — |
| £30 | £15¾ | Central Pacific | £29¾ | ...... | — | — | — |
| 356 | 230 | Conzinc Riotinto 50c. | 276 | −4 | Q15c | 2.1 | 2.8 |
| 39 | 17 | Cultus Pacific N.L. | 35 | ...... | — | — | — |
| 50 | 20 | Eagle Corp. 10c | 36 | ...... | — | — | — |
| 26¼ | 15¾ | Endeavour 20c | 28# | ...... | — | — | — |
| 280 | 175 | G. M. Kalgoorlie 25c | 278 | −2 | †Q3c | — | 0.6 |
| 46 | 15 | Great Eastern | 22½ | ...... | — | — | — |
| 395 | 260 | Hampton Areas 5p. | 370 | +5 | 3.5 | 2.8 | 1.4 |
| 80 | 30 | Haoma Gold N.L. | 70 | ...... | — | — | — |
| 720 | 80 | Leichardt Expln. | 280 | −10 | — | — | — |
| 72 | 41 | Metals Ex. 50c | 59 | ...... | — | — | — |
| 312 | 187 | M.I.M. Hldgs. 50c | 222 | +4 | †hQ16.1c | 1.8 | 3.7 |
| 20 | 7 | Minefields Expl. 25c. | 15 | ...... | — | — | — |
| 155 | 60 | Mount Lyell 25c | 76 | ...... | — | — | — |
| 28 | 15 | Newmetal 20c | 21 | +1 | — | — | — |
| 35 | 12 | Nickelore N.L. | 22 | ...... | — | — | — |
| 207 | 137 | North B. Hill 50c. | 172 | +3 | †Q12c | 1.4 | 3.6 |
| 80 | 44½ | Nth. Kalgurli | 72 | −1 | — | — | — |
| 165 | 90 | Nth. Mining Corp. | 145 | ...... | — | — | — |
| 63 | 24 | N. West Mining N.L. | 61 | −2 | — | — | — |
| 235 | 144 | Oakbridge SA1 | 195 | ...... | Q12c | 4.7 | 3.2 |
| 122 | 70 | Otter Ex. N. L. | 98 | ...... | — | — | — |
| 230 | 128 | Pacific Copper | 204 | +2 | — | — | — |
| 465 | 255 | Pancont'l 25c | 330 | −5 | — | — | — |
| 78 | 42 | Paringa M&Ex.5p | 53 | −1 | — | — | — |
| 495 | 335 | Peko-Wallsend 50c | 405 | ...... | †Q17.5c | ♦ | 2.2 |
| 230 | 140 | Seltrust A | 158 | +2 | — | — | — |
| £11½ | 575 | Southern Pacific | £11½ | ...... | — | — | — |
| 75 | 31 | Swan Resources 20c. | 60 | ...... | — | — | — |
| 13 | 8 | West Coast 25c | 8 | ...... | — | — | — |
| 264 | 177 | Westn. Mining 50c | 236 | −11 | †Q7c | 1.6 | 1.6 |
| 30 | 10 | Westmex | 13 | ...... | — | — | — |
| 96 | 56 | Whim Creek 20c. | 94 | ...... | — | — | — |
| 24 | 10½ | York Resources | 22 | −1 | — | — | — |

### Tins

| 1980 High | Low | Stock | Price | + or − | Div. Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 25 | 14 | Amal Nigeria 1p | 15 | −1 | j6.0 | — | — |
| 345 | 255 | Ayer Hitam $M1 | 270 | +5 | ‡Q290c | 0.9 | ‡ |
| 67 | 42 | Beralt Tin | 49 | ...... | 4.5 | 3.2 | 13.1 |
| 190 | 149½ | Berjuntai $M1 | 175 | ...... | ‡Q95c | 1.0 | ‡ |
| 230 | 153 | Geevor | 205 | ...... | 8.71 | 3.1 | 6.1 |
| 11 | 10 | Gold & Base 12½p | 10½ | ...... | — | — | — |
| 400 | 310 | Gopeng Cons. | 375 | ...... | †25.0 | 1.8 | 9.5 |
| 310 | 280 | Hongkong | 305 | ...... | 35.87 | ♦ | 16.8 |
| 105 | 90 | Idris 10p | 97xd | ...... | 14.0 | ♦ | 20.6 |
| 15 | 12½ | Jantar 12½p | 13xd | ...... | 1.5 | ♦ | 16.5 |
| 82 | 64 | Kamunting $M0.50 | 75 | ...... | Q47½c | 1.1 | 14.2 |
| 225 | 150 | Killinghall $M1 | 225xc | ...... | hQ50c | ♦ | 4.5 |
| 730 | 485 | Malay Dredging $M1 | 730# | ...... | ♦Q105c | 2.6 | 2.9 |
| 33 | 26 | Pahang | 32 | ...... | 0.44 | 0.3 | 2.0 |
| 108 | 90 | Pengkalen 10p | 92 | ...... | 6.0 | 1.3 | 9.3 |
| 290 | 230 | Petaling $M1 | 268xd | +3 | †Q150c | 1.4 | 11.8 |
| 70 | 57 | Saint Piran | 65# | ...... | ‡2.5 | 6.4 | ‡ |
| 44 | 28 | South Crofty 10p | 28 | ...... | ‡3.0 | 2.0 | ‡ |
| 255 | 180 | South Kinta $M0.50 | 250# | ...... | ♦Q150c | 1.0 | 12.2 |
| 450 | 340 | Sthn Malayan $M1 | 450# | ...... | ♦Q175c | 2.1 | 7.9 |
| 295 | 215 | Sungei Besi $M1 | 275 | ...... | †Q520c | 1.0 | 38.5 |
| 39 | 22½ | Supreme Corp. $M1 | 38 | ...... | bQ8c | — | 4.3 |
| 100 | 92 | Tanjong 15p | 92xd | ...... | 24.5 | ♦ | 7.0 |
| 95 | 80 | Tongkah H. Tin | 80 | ...... | Q45c | 1.3 | 12.6 |
| 275 | 220 | Tronoh $M1 | 250xd | +10 | Q250c | 0.7 | 20.4 |

### Copper

| 1980 High | Low | Stock | Price | + or − | Div. Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 235 | 130 | Messina R0.50 | 180 | −2 | mQ30c | ♦ | 3.2 |

### Miscellaneous

| 1980 High | Low | Stock | Price | + or − | Div. Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 170 | 78½ | Anglo-Dominion | 165 | ...... | — | — | — |
| 97 | 56 | Barymin | 60 | +3 | — | — | — |
| 17 | 12 | Burma Mines 10p | 16 | −1 | 0.62 | 1.1 | 5.6 |
| 502 | 320 | Cons. Murch. 10c. | 330 | ...... | hQ100c | 1.8 | 17.3 |
| 585 | 325 | Northgate C$1 | 375 | ...... | — | — | — |
| 485 | 327 | R.T.Z. | 365 | −5 | 15.0 | 3.2 | 5.9 |
| 33 | 16 | Robert Mines | 23 | −1 | — | — | — |
| 58 | 26 | Sabina Inds. C$1 | 30 | −2 | — | — | — |
| 650 | 411 | Tara Exptn. $1 | 420 | ...... | — | — | — |

## NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ■ "Tap Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- †† Unlisted security.
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- Regional price.
- ∥ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

## REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

| | | |
|---|---|---|
| Albany Inv. 20p | 29 | ...... |
| Bertam | 17 | ...... |
| Bdg'wtr. Est. 50p | 410 | ...... |
| Clover Croft | 68 | ...... |
| Craig & Rose £1 | £10½ | ...... |
| Fife Forge | 32½ | ...... |
| Finlay Pkg. 5p | 18 | ...... |
| Graig Ship. £1 | £14 | ...... |
| Higsons Brew | 78 | ...... |
| Holt (Jos) 25p | 252 | ...... |
| I.O.M. Stm. £1 | 188 | ...... |
| Pearce (C. H.) | 455 | ...... |
| Peel Mills | 40 | ...... |
| Sheff. Refrshmt | 103 | ...... |
| Sindall (Wm.) | 140xd | ...... |

**IRISH**

| | | |
|---|---|---|
| Conv. 9% '80/82 | £88⅛ | ...... |
| Nat. 9¾% 84/89 | £75⅞ | −⅛ |
| Fin. 13% 97/02 | £84¼ | −⅛ |
| Alliance Gas | 48 | ...... |
| Arnott | 360 | ...... |
| Carroll (P.J.) | 50 | ...... |
| Clondalkin | 118 | −2 |
| Concrete Prods. | 75 | ...... |
| Helton (Hldgs.) | 36 | ...... |
| Ins. Corp. | 245 | ...... |
| Irish Ropes | 55 | ...... |
| Jacob | 57 | ...... |
| T.M.G. | 90 | ...... |
| Unidare | 94 | ...... |

## OPTIONS

## 3-month Call Rates

| Industrials | | | | | |
|---|---|---|---|---|---|
| | | I.C.I. | 32 | Utd. Drapery | 9 |
| A. Brew | 8 | "Imps" | 7 | Vickers | 14 |
| BOC Intl. | 6 | I.C.L. | 45 | Woolworths | 6½ |
| B.S.R. | 5 | Inveresk | 5 | | |
| Babcock | 12 | Ladbroke | 15 | **Property** | |
| Barclays Bank | 30 | Legal & Gen. | 14 | Brit. Land | 7 |
| Beecham | 13 | Lex Service | 10 | Cap. Counties | 9 |
| Blue Circle | 25 | Lloyds Bank | 24 | Land Secs. | 25 |
| Boots | 17 | "Lots" | 3½ | MEPC | 17 |
| Bowaters | 16 | London Brick | 6 | Peachey | 13 |
| B.A.T. | 25 | Lucas Inds. | 20 | Samuel Props. | 12 |
| Brown (J.) | 7 | "Mams" | 14 | Town & City | 2 |
| Burton 'A' | 22 | Mrks. & Spncr | 9 | | |
| Cadburys | 5½ | Midland Bank | 30 | **Oils** | |
| Courtaulds | 8 | N.E.I. | 5 | Brit. Petroleum | 38 |
| Debenhams | 8 | Nat. West. Bank | 32 | Burmah Oil | 20 |
| Distillers | 21 | P & O Dfd. | 9 | Charterhall | 12 |
| Dunlop | 5½ | Plessey | 16 | KCA | 11 |
| Eagle Star | 14 | Racal Elect. | 20 | Premier | 12 |
| F.N.F.C. | 2½ | R.H.M. | 4½ | Shell | 35 |
| Gen. Accident | 21 | Rank Org. | 18 | Tricentrol | 35 |
| Gen. Electric | 30 | Reed Intnl. | 17 | Ultramar | 50 |
| Glaxo | 40 | Sears | 5½ | | |
| Grand Met. | 12 | Tesco | 7 | | |
| G.U.S. 'A' | 30 | Thorn | 25 | **Mines** | |
| Guardian | 23 | Trust Houses | 14 | Charter Cons. | 18 |
| G.K.N. | 22 | Tube Invest. | 27 | Cons. Gold | 52 |
| Hawker Sidd | 16 | Unilever | 40 | Lonrho | 12 |
| House of Fraser | 12 | U.D.T. | 6 | Rio T. Zinc | 35 |

A selection of Options traded is given on the London Stock Exchange Report page

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FINANCIAL TIMES
Wednesday June 4 1980



# Expulsion warning to armed diplomats

BY DAVID TONGE

BRITAIN has warned foreign diplomats that it could expell them if they bring weapons into the country.

Mr. Douglas Hurd, Minister of State at the Foreign Office, said in Parliament yesterday that if diplomats import guns or ammunition: "We will not hesitate in taking legal action to declare them *persona non grata.*"

He said firearms were not allowed to be carried for personal protection.

His statement follows concern at the way Middle East quarrels have been fought out on London's streets. In the past two months seven people died in the seizure of the Iranian Embassy in London—with reports that the guns had been supplied by Iraqi diplomats.

Four Libyan diplomats were withdrawn following the killing of two Libyan exiles. A bomb caused one Iranian to die in Central London. This weekend an explosion outside the Kuwait Oil Company damaged shops in London's Bond Street.

Iraq and Libya are among countries suspected by British officials of using their sealed diplomatic bags to smuggle explosives and weapons into Britain.

Mr. Hurd said yesterday: "The government cannot tolerate an embassy becoming a haven from which illegal acts could be devised and from which such acts could be carried out by mischievously disposed persons."

He also insisted that the protection of the 2,500 foreign diplomats in London was the task of the British authorities.

This task is entrusted to the Diplomatic Protection Group of the British Special Branch. This is adamant about demanding that all embassy personnel in Britain and all visiting security officers, including the bodyguards of Kings and Presidents, should hand over their weapons—which they do, though usually complaining.

The only Embassy which has its own armed security staff is that of the United States; the U.S. marines in question act under the Visiting Forces Protection Act.

When Dr. Henry Kissinger was here as Foreign Secretary his own cavalcade of bullet-proofed cars was flown in; the British authorities even disarmed the security guard sitting in the back car whose rear windows had been taken out so that he could use a sub-machine gun.

A note setting out the situation was first sent to missions in London in 1976. A further note was sent in January this year. Most recently, after the siege at the Iranian Embassy in May, a further note has been sent.

British MPs suggested electronic scanning of diplomatic bags. There have also been proposals that these bags should be opened in front of a representative of the receiving nation.

British officials tend to resist these suggestions. They argue that it is relatively easy to disguise a weapon from a scanner and question whether, under the 1961 Vienna Convention on Diplomatic Privileges and Immunities, scanning the bags is permitted.

The concept of diplomatic immunity goes back to the Ancient Greeks. In practice Britain's record is reasonably good, though two events are sometimes cited to prove that in diplomacy there are no angels.

The first was in 1708 when the Russian emissary, Matuoff, was arrested for a civil debt, causing the entire diplomatic corps in London to protest.

The second, systematic spying on diplomatic bags sent to other countries represented at the Sublime Porte in Istanbul, is described in the memoirs of diplomat Lord Hardinge of Penshurst.

# BNOC executive quits

BY RAY DAFTER, ENERGY EDITOR

BRITISH NATIONAL OIL Corporation has lost another top executive. It was announced yesterday that Mr. Dick Fowle, the corporation's director of exploration, had left to become exploration manager of London and Scottish Marine Oil.

The announcement follows within days the resignation decision of Mr. Alastair Morton, a board member and managing director of the State oil corporation.

Mr. Morton has said that his resignation follows appointment of Mr. Philip Shelbourne, a leading banker, as chairman of BNOC.

He added that he disagreed with the way the Government made the appointment. Board members, he said, had not been informed.

Mr. Fowle said yesterday that he left for different reasons. He resigned from the corporation in April.

Within the industry it is known that Mr. Fowle, one of BNOC's most experienced oil men, left without making a statement to avoid controversy such as surrounded Mr. Morton's announced departure.

Mr. Fowle has some misgivings about Government policy for top-level appointments at BNOC.

"I had been somewhat disappointed that there was not a technical head to a new and important organisation," he said yesterday.

Ironically, Mr. Fowle handed in his resignation shortly before the appointment of Mr. Malcolm Ford, formerly deputy managing director of Shell UK Exploration and Production, as a managing director of BNOC.

"I decided to move for the sake of my career," said Mr. Fowle. "LASMO is much smaller than BNOC. However, it is financially strong, with a great will to explore."

London and Scottish Marine Oil, which has a stake in a number of oil and gas discoveries, including the big Ninian Field now on stream, has announced that it plans to join several consortia to bid for new exploration licences in the sevnth round of Government drilling concessions.

It hopes to be the operator—the lead company—in at least one of these groups.

The company announced that as part of its management reorganisation Mr. Terry Stevens, previously exploration and production manager, had become manager of production and operations.

The loss of both Mr. Morton and Mr. Fowle to BNOC comes as a double blow to both corporation and Government. Both men have ben with BNOC for most of its existence.

When Mr. Fowle joined from Burmah Oil in 1977, the State corporation's exploration department had only 30 setaff. Today it has about 200.

# Racal reorganisation to follow Decca takeover

BY GUY DE JONQUIERES IN LONDON & RICHARD C. HANSON IN TOKYO

RACAL, the defence electronics company, yesterday announced a corporate reorganisation after its £104m takeover of Decca this year.

*Decca's capital goods businesses* have been brought together in a new group called Racal-Decca. Mr. David Elsbury, a deputy managing director of Racal, has been named as its chairman and chief executive.

Five Racal directors have also joined the board of Decca Ltd., Racal-Decca's parent company. Only one member of the previous Decca board, Mr. W. L. Spalding, has been reappointed.

Meanwhile, Tatung, a Taiwanese manufacturer of electrical and home electronics products, has reached an advanced stage of discussions on acquiring Decca's loss-making UK television plant, which Racal is keen to dispose of.

If the talks succeed, this will be the first European venture for Tatung, which has grown rapidly over the past 10 years to become *Taiwan's* second biggest company. It already has manufacturing facilities in the U.S., Hong Kong and Singapore.

*Racal would not comment on* the talks with Tatung, though it said that it has received several approaches about the Decca plant. Racal announced 10 days ago that it was laying off 300 of the 1,100 employees at the plant and planned to reduce production, recently running at 120,000 sets a year.

The television plant, with Decca's remaining record interests, has been excluded from Racal-Decca. The new group has four subsidiaries, embracing marine radar, navigation equipment, survey systems and electronic warfare and defence products.

Mr. Elsbury's first priority will be to meet Racal's target of eliminating losses on Decca's operations for the financial year ending March 31, 1981. He plans to do this chiefly *with stricter financial controls* and a detailed review of products to weed out the loss-makers.

Racal said the enlarged *group was likely to double last* year's sales during the current financial year, reaching the £500m target set by Mr. Ernie Harrison, its chairman. More than £100m was expected from the Decca operations.

It denied discovering any "skeletons" in Decca's cupboard since the takeover was completed, saying it had been able to confirm statements of Decca's former management that the company enjoyed a big order book for electronic warfare systems and expected much more businesses over the next few years.

Mr. Harrison said many urgent and difficult problems still had to be resolved in the Decca businesses, but he believed the new group faced exciting prospects.

Profile, Page 7

# Brazil deficit doubles

By Diana Smith in Brasilia

**BRAZIL'S financial troubles were starkly underlined yesterday *when, after months of* delay, the Central Bank here revealed that the country's deficit on the current account of its balance of payments *virtually doubled in 1979 to* $10.47bn.**

**This compares with a deficit of $5.4bn in 1978.**

**The basic balance of payments, which includes capital movements, swung into a deficit of $3.2bn last year after a surplus of $3.8bn in 1978.**

**The only apparent bright spot in last year's figures was a substantial increase in new foreign investment, up from $1.6bn in 1978 to $2.4bn.**

**The figures starkly illustrate the problems with which the Brazilian economy began the year, and which have worsened in the first half. At the end of 1979, the trade deficit stood at $2.7bn, and the services deficit at $7.7bn.**

**Wtih estimates for year-end inflation veering between 80 and 90 per cent, and a trade account $1.82bn in deficit by the end of April, there are signs that the authorities will fell compelled to devise stricter measures to control the problem.**

**Hugh O'Shaughnessy writes: The Brazilian government is showingfi increasing signs of anxiety over the balance of payments situation. Last year capital inflows in the form of new loans from abroad dipped substantially from $13.6bn in 1978 to $11.7bn. And as oil prices on the international market continue to rise, it appears increasingly unlikely that the government will achieve its objective of balancing the visible trade account this year at $20bn. Brazil is obliged to import more than 85 per cent of its oil needs.**

**The country faces growing pressure from its trading partners to dismantle its harriers to imports. Last month Mr. John Nott, the Trade Minister, gave Brazil notice that Britain for one would be seeking action by the EEC if Brazilian import controls were not lowered within a few months.**

# Israeli troops break shop strike

BY DAVID LENNON

HEAVILY ARMED Israeli troops broke up a shopkeepers' strike on the occupied West Bank yesterday, called in protest against Monday's assassination attempts on three prominent Palestinian Mayors.

The Israeli military government on the West Bank, which was accused by one of the majors of being responsible for the attack on him in which he lost both legs, ordered the soldiers to force open the shops. When they cut the locks on some of the shops the others opened to avoid reprisals. The troops also arrested several local Palestinians accused of tryin gto continue the strike.

All political factions on the West Bank are united in condemning the attacks on the mayors, which were described as a further attempt to destroy the local Palestinian leadership after the deportation of two Mayors last month.

Units of Israeli soldiers armed with clubs and automatic rifles were patrolled in all West Bank towns, and placed themselves prominently on rooftops.

Mr. Bassam Shaka, the Mayor of Nablus, insisted yesterday that the Israelis were responsible for the bomb attacks. He did not restrict his accusations to extremist Jewish settlers, saying the attacks were carried out with the connivance of the Israeli authorities.

In Bethlehem the municipal council resigned in protest at the recent attacks on their colleagues at what was described as an Israeli policy of repressing the Palestinians. Other Mayors met in Ramallah yesterday to discuss how they should respond to this latest increase of violence between Israelis and Palestinians.

Israeli military officials said they were continuing their search for the bombers. Unofficially they said the "high professional level" of the bombers led them to believe that the attacks had been the work of Jewish extremists.

West Bank blames Israel. Page 4

# Slater plan for Tebbitt Group

BY CHRISTINE MOIR

MR. JIM SLATER'S private property company, Strongmead, is involved in property deals intended to transform Tebbitt Group from a tannery concern to a property investment and engineering group.

Tebbitt is a public company whose chairman is Mr. John Bentley.

Mr. Bentley yesterday disclosed details of a series of deals, including the sale of Tebbitt's Countess Road tannery and the purchase of two property companies, Signgate and Queens Gate.

Signgate, a property dealing group, is being sold by Mr. Colin Bray and Henry Street Investments. Under the purchase arrangements, the two vendors have warranted that Signgate's *pre-tax profits for 1980 will be* not less than £325,000.

Tebbitt is paying £200,000 for the company, but the final purchase price will be reduced if profits fall short of the guaranteed level.

Henry Street Investments' obligations are being guaranteed by Strongmead, wholly owned by Mr. Slater since last September when he bought ou Lonrho's interest for £1m.

Details of Signgate's history reveal that when it was set up in January 1976, Strongmead was the original and equal partner with Mr. Bray, a property surveyor.

If Tebbitt shareholders approve the purchase at the special meeting on June 25, Signgate will pass to Tebbitt.

Mr. Bray will receive some 880,000 shares in Tebbitt—5.7 per cent of the enlarged equity *after the deals have been* approved. Henry Street will hold a similar amount.

Tebbitt is issuing 5.93m shares for the purchase of Signgateand Queens Gate, of which 4.8m or so will be placed with "investment clients" by Singer and Friendlander, the bank advising Tebbitt.

As a result of the issues, Mr. Bentley's personal stake in Tebbitt will be diluted from 20.83 per cent to 12.9 per cent.

The deal marks the reunion *of two of the more colourful* City figures of the early 1970s. Mr. Slater's financial services group, Slater Walker, which collapsed in 1974, once held 12 per cent of Barclay Securities, Mr. Bentley's industrial investment group. Slater Walker advised Barclay when it was sold in 1973 for £18.5m to the ill-fated Vavasseur banking and financial service company. Like Slater Walker, Vavasseur became caught up in the secondary banking crisis within a year of the acquisition.

Continued from Page 1

# MLR

quirement and therefore to reducing interest rates."

She came under pressure from Mr. James Callaghan, the Opposition Leader, to bring forward from July 16 the all-day Cabinet meeting called to discuss economic strategy. But Mrs. Thatcher discounted any idea that a change of policy might result from the meeting.

There was a considerable degree of confusion at Westminster after the exchanges. It was pointed out that the rebate from Brussels would not appear *in UK accounts until* next spring, the last quarter of this financial year, and that more immediate economic factors would determine a fall in interest rates.

The sharp drop in sterling was in marked contrast to the pound's strength for most of last month.

# Post Office engineers

Continued from Page 1

offer worth 17 per cent, including 2 per cent for productivity, which it says is the maximum it is prepared to make.

It has told the union it can only agree to the claim by reducing investment and increasing tariffs beyond already planned increases. This would depress demand and strengthen opposition to the monopoly.

The eventual settlement will be important because it is one of the last in the public sector in this wage round. It could affect claims at the beginning of the next round.

*The union,* with 126,000 engineers and technicians, operates on a range of services apart from telephones. These include outside television and radio broadcasting, telex services, data and facsimile transmission and servicing vehicles used by posts and telecommunications.

Past industrial action has tended to be cumulative as transmission lines break down.

A dispute this year would be the third major industrial confrontation in telecommunications in the past three years.

Two years ago, the union took selective action over a claim for a 35-hour week. This eventually resulted in severe disruption to some telecommunication links, particularly affecting overseas calls and those made by the Stock Exchange.

Last year computer operators halted the dispatch of telephone bills. *This cost the Post Office* £92m in interest for extra borrowing to cover the damage to its cash flow.

Union negotiators have been discussing this year's wage rise on the basis of about 23 per cent, based on the retail price index together with 4 per cent for productivity.

The conference raised the basic claim to 30 per cent and replaced the productivity figure with a demand of 7 per cent for working with new equipment.

The union executive appealed to conference that 37 per cent was totally unrealistic but delegates rejected this advice. The Post Office can draw some comfort from the narrowness of the vote —63,000 to 61,000.

The union is co-ordinating planned action with the Society of Post Office Executives, representing supervisors which has turned down a similar offer *to that made to the engineers.*

Both unions have been angered by restructuring proposals which they say will improve the relative position of some groups, particularly junior executives, at the expense of engineers. Engineers' basic pay, excluding London weighting, ranges from £3,983 to £6,673.

# Weather

UK TODAY

CLOUDY with some rain in the north and west: elsewhere sunny and very warm.

**N., S. and E. England, Channel Islands**

Mainly dry and sunny after early mist. Max. 23C (73F).

**Elsewhere**

Cloudy with some rain and warm. sunny intervals in sheltered areas. Max. 16C (61F).

**Outlook:** Some thundery rain in W. and N., heading east. Temperatures near normal.

WORLDWIDE

| | | Y'day midday °C | °F | | | Y'day midday °C | °F |
|---|---|---|---|---|---|---|---|
| Ajaccio | S | 19 | 66 | Locarno | S | 24 | 75 |
| Algiers | S | 25 | 77 | London | F | 22 | 72 |
| Amsdm. | C | 17 | 63 | Luxmbg. | F | 14 | 57 |
| Athens | C | 23 | 73 | Luxor | S | 42 | 108 |
| Bahrain | S | 34 | 93 | Madrid | S | 28 | 82 |
| Barclna. | S | 21 | 70 | Majorca | S | 23 | 73 |
| Belfast | C | 18 | 64 | Malaga | C | 25 | 77 |
| Belgrd. | C | 17 | 63 | Malta | S | 24 | 75 |
| Berlin | C | 12 | 54 | M'chstr. | C | 19 | 66 |
| Biarritz | S | 28 | 82 | Melbne. | R | 9 | 48 |
| Bmghm. | C | 19 | 66 | Milan | S | 24 | 75 |
| Blackpl. | C | 18 | 64 | Mntreal. | C | 19 | 66 |
| Bordx. | S | 25 | 77 | Munich | C | 16 | 61 |
| Bristol | S | 18 | 64 | Nairobi | C | 21 | 70 |
| Brussels | C | 17 | 63 | Naples | F | 23 | 73 |
| Budpst. | F | 18 | 64 | Nwcstl. | C | 20 | 68 |
| B. Aires | S | 8 | 46 | N. York | S | 26 | 79 |
| Cairo | S | 36 | 96 | Nice | F | 21 | 70 |
| Cardiff | C | 17 | 63 | Nicosia | S | 24 | 75 |
| Cas'b'ca | F | 30 | 86 | Oporto | S | 25 | 77 |
| Cape T. | S | 17 | 63 | Oslo | S | 18 | 64 |
| Chicago | C | 16 | 61 | Paris | C | 22 | 72 |
| Cologne | R | 15 | 59 | Perth | R | 15 | 59 |
| Cpnhgn. | S | 18 | 64 | Prague | C | 17 | 63 |
| Corfu | S | 23 | 73 | Reykjvk. | C | 7 | 45 |
| Dublin | S | 20 | 68 | Rhodes | F | 28 | 82 |
| Dbrvnk. | F | 21 | 70 | Rio J'o | C | 27 | 80 |
| Ednbgh. | C | 19 | 66 | Rome | S | 21 | 70 |
| Faro | S | 25 | 77 | Salzbrg. | F | 16 | 61 |
| Florence | F | 25 | 77 | Singapr. | C | 30 | 85 |
| Frankft. | C | 16 | 61 | Stckhm. | C | 22 | 72 |
| Funchal | C | 22 | 72 | Strasbg. | C | 16 | 61 |
| Geneva | S | 19 | 66 | Sydney | S | 14 | 57 |
| Gibrltr. | F | 21 | 70 | Tangier | F | 28 | 79 |
| Glasgow | C | 17 | 63 | Tehran | S | 27 | 80 |
| G'rnsey | C | 15 | 59 | Tenerife | S | 23 | 73 |
| Helsinki | S | 25 | 77 | Tokyo | C | 26 | 79 |
| H. Kong | S | 26 | 78 | Toronto | C | 15 | 58 |
| Innsbrk. | F | 15 | 59 | Tunis | F | 24 | 75 |
| Invrnss. | C | 21 | 70 | Valencia | S | 26 | 79 |
| I.o.Man | C | 12 | 54 | Venice | S | 21 | 70 |
| Istanbul | C | 16 | 61 | Vienna | C | 19 | 66 |
| Jersey | C | 18 | 64 | Warsaw | C | 11 | 52 |
| Jo'burg | C | 14 | 57 | Zurich | F | 19 | 66 |
| L. Plms. | S | 25 | 77 | | | | |
| Lisbon | S | 29 | 84 | | | | |

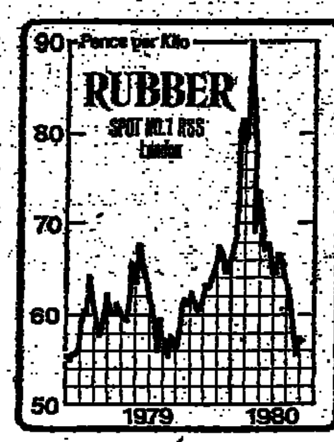
C—Cloudy. F—Fair. R—Rain. S—Sunny.

THE LEX COLUMN

# Reed completes its recovery

A chance remark by the Prime Minister hinting at lower interest rates knocked three cents off sterling yesterday—a sharp reminder that the currency markets are highly unstable, and that money does not come to London just because of the North Sea.

## Index rose 7.3 to 420.0




## Reed International

After last quarter profits of £19.9m pre-tax, against £15.1m —the difference being almost entirely accounted for by a lower interest charge—Reed International's profits for the year to March work out at £99.9m, up from £83.4m in 1978-79. The last quarter would have shown a more pronounced improvement *but for £6m of* rationalisation costs in the decorative products division, taken above the line, and Reed itself is clearly happy with the figures, since it has raised the net dividend from 8p to 13p, the level from which it was reduced two years ago.

Although the Canadian paper business is still going very well, and the group's interest charge should again show a fall in the current year, trading conditions in general are unlikely to be easy. Demand for packaging has fallen quite sharply, while the noises emerging from the building materials sector have been very gloomy, and Reed's magazines, when they return fro mthe recent dispute, are likely to find that the advertising market has weakened considerably. It is easy to imagine that pre-tax profits before any exceptional costs would be below £90m in 1980-81.

Still, Reed's withdrawal from the most cyclical paper activities and the transformation of its balance sheet—net debt had fallen to 34 per cent of tangible shareholders' funds, having been pushing 200 per cent a few years ago—leave it in good shape to weather a *weakening of activity. Last* year's CCA earnings, although flattered by a low tax charge, covered the dividend more than twice, but the stock market, with its long and suspicious memory, still values the shares very cautiously. At 176p, up 13p, the yield is 11.1 per cent and the prospective p/e below 5 on a full tax charge.

## De La Rue

Few enough UK companies *have* a dominant world presence in a single product: De La Rue has managed to establish such a position in two—security printing and colour scanning equipment — and the stock market has adjusted its rating of the company accordingly. After yesterday's buoyant results the *share* price, which had betrayed signs of nervousness on Monday, rebounded 25p to 645p, or more than double the 1979 low.

*Adding back the £2m of profits* on repurchased stock to reach a comparable figure, pre-tax profits have risen by 45 per cent to £38.5m. The underlying volume of bank note sales rose by about 6 per cent once the effect of the 1978-79 Gateshead strike is taken into account and this performance should be bettered in the current year with maintained margins. The success of the 550 and 570 Magnascan ranges has pushed upthe comparable contribution from Crosfield Electronics by 41 per cent at the trading level, although tougher trading conditions are likely to squeeze margins in the current year.

So in a more difficult climate profits should emerge in the region of £42m — an effective increase of 15 per cent — to produce a prospective p/e of about 12, fully-taxed. Meanwhile, the cash is mounting up —the net surplus rose by three-*quarters last year to £30m.* But with memories of Potterton still lively, the company is taking its time on acquisitions.

## Vickers

Vickers' accounts show that terms for the nationalisation of its shipbuilding and aerospace assets and the disposal of its business machines division have both become a matter of some urgency. Pre-interest profits last year were only enough to cover the interest charge 1½ times: the dividend is not quite covered on an historic cost basis, and there is no current cost data.

However the group is confident that the disposal will be completed in a matter of weeks and is hopeful that compensation will be agreed within the next few months. In that case the picture would be transformed.

Gross capital employed in December was £277m. That included £36m for nationalised assets, producing no income, and around £35m for the business machines, which made a loss last year. In addition there was around £30m of capital employed in Australia which should move from break-even into profits during 1980, and another £30m in investment properties which should also start to produce decent returns in the next year or two. There *is at least a chance that the next* balance sheet will show net worth of around £160m, relatively low financial gearing *—and the prospect of an almost* respectable return on capital employed. The current market capitalisation is £48m at 109½p.

## Harrisons & Crosfield

The results from Harrisons and Crosfield are mildly disappointing—pre-tax profits are 11 per cent higher at £58.4m pre-tax for the full year after a 19 per cent half-time gain—but the group is talking in relatively optimistic terms about 1980. On the plantations side, where pre-interest profits improved from £27.7m to £29.5m in 1979, commodity prices have recently taken a distinct turn for the worse ahead of the threatened world recession. Yet during the first quarter prices at times reached very favourable levels which H and C will have taken advantage of, and indeed its apparent confidence suggests that part of its crops have been sold forward at comparatively high prices. Moreover volumes are likely to recover in the absence of the drought that affected 1979 production.

Elsewhere H and C expresses concern about the trend in UK chemicals, hit by weak demand and squeezed export margins, while the interest charge has risen sharply. Still, the dividend is 4p higher at 28p a share, and the share price was stable yesterday at 712p to yield a modest 5.8 per cent.

Malasianisation talks drag on without any apparent signs of progress, and elsewhere in the sector Guthrie Corporation also hovers at a share price of 712p in the absence of any further developments from the East after the April proxy battle with Sime Darby. Both shares look fairly expensive, but have obvious appear for UK investers seeking high quality diversification.



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